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Asia and the Great Powers

S.E. Asia and the Caracas Conference

Japan's Search for Oil

Insurgency in West Malaysia

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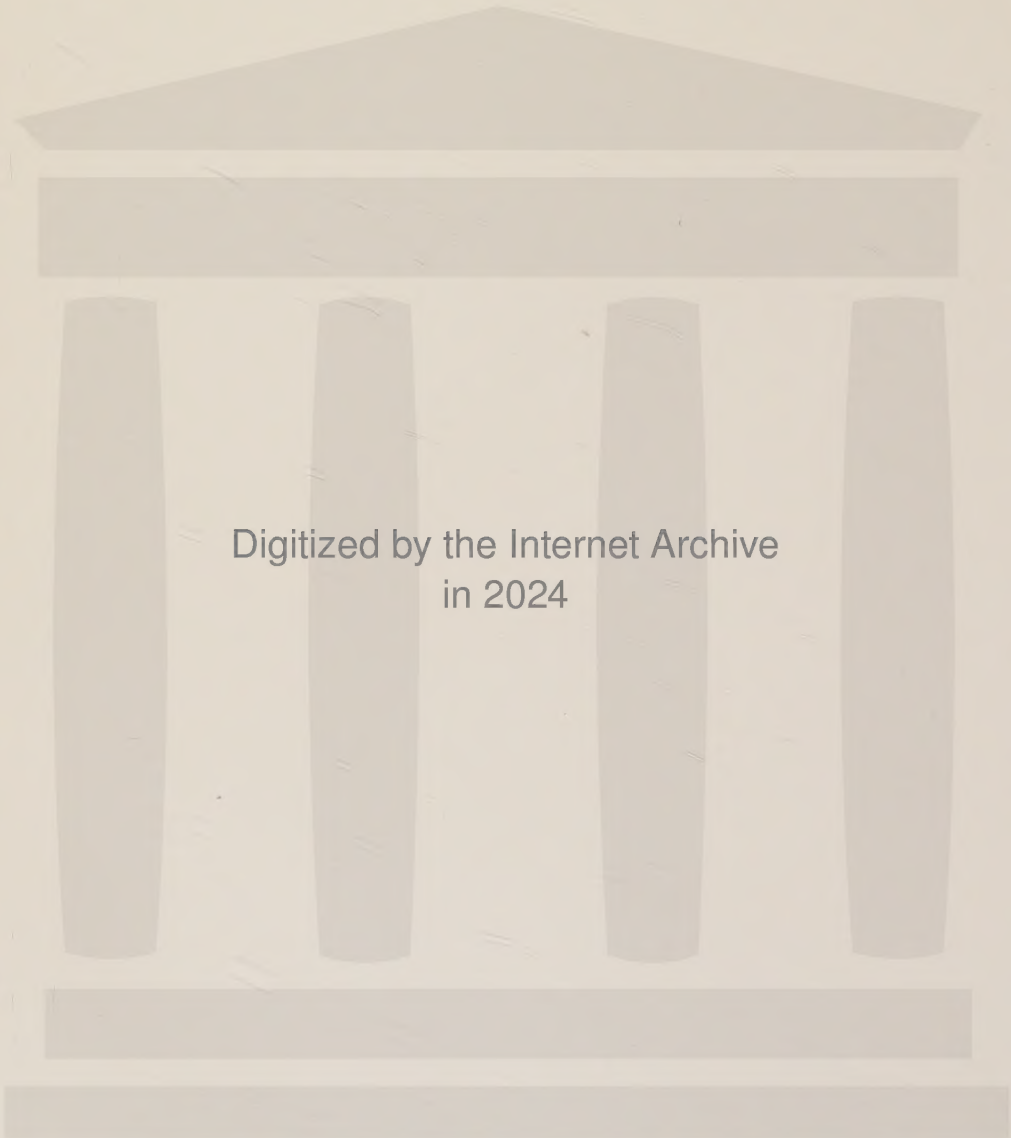

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ASIA AND THE GREAT POWERS (I): *"Acceptance of the need for a continued, if reduced, American military presence in the region will be an essential pre-requisite to stability in the Asian and Pacific region in the remaining years of this decade. This includes the need for a stategic guarantee to Japan against a Soviet attack... and capabilities to assure freedom of passage in the increasingly important sea-lanes of the Asian – Pacific region".*

American-Asian Relations in Global Perspective

Robert L. Pfaltzgraff, Jr.

IN the mid—1970s, the Asian—Pacific policy of the United States has three major focal points, each of which is closely related to the other and strongly affects, and is influenced by, developments outside Asia: the Japanese—American relationship, the Sino—American commitment to South-East Asia.

The importance of the US link with Japan derives from the dominant economic and technological position of Japan in Asia and as one of the world's leading industrial Powers. The assistance and co-operation of Japan will be vital to the United States and other industrial Powers in resolving the many emerging global economic and technological issues of the last quarter of this century. The *detente* with the People's Republic of China, while crucial to American diplomacy in Asia, has even greater significance for the US effort to improve relations with the Soviet Union and to evolve a better relationship both with Moscow and Peking than either Communist Power can develop with the other. In South-East Asia, the development of a configuration of power that minimizes outside Power intrusion, especially that of the Soviet Union, and maximizes the potential for the independence of States in the region is vital to the United States. The growth of Soviet power in South-East Asia and elsewhere on the southern periphery of China would weaken Peking in its contest with Moscow. The strengtherning of the Soviet position in the Indian Ocean and adjacent waterways would pose a potential threat to Japan because of its heavy dependence commercially on the Indian Ocean and the Straits of Malacca.

In the mid-1960's the United States failed to link adequately its policies in South-East Asia to the conduct of American diplomacy with the Soviet Union. While seeking a *detente* with the Soviet Union elsewhere, the United States was locked into a struggle which pitted North Vietnam, supported by Soviet military aid, against South Vietnam. The United States was not able, or willing, to jeopardize its evolving global relationship with the Soviet Union by challenging the Soviet assistance to North Vietnam. The development of a US *detente* with China in the early 1970s permitted the United States to apply greater military pressure, and especially air power, against Hanoi as US ground forces were withdrawn without jeopardizing the American relationship with the Soviet Union. As a result, in May 1972 President Nixon was able to visit Moscow at a time when the United States was intensifying its bombing of North Vietnam and mining North Vietnamese harbours. The visit by an American President to the Soviet Union under such circumstances was made possible, in part at least, by the *rapprochement* between the United States and the People's Republic of China, for the Soviet Union could not permit Sino-American relations to become closer than Soviet-American relations. Thus, an intimate relationship existed between American policy in South-East Asia and the evolving Sino-American *detente* both within the regional Asian context

and at the global level, affecting super-Power relations. In fact, there appears to have been a greater realization of the implications that the "opening to China" had for American diplomacy in relations with adversaries, or potential adversaries, in Moscow and Hanoi than in any other major US policy initiative. While the United States was manipulating the Sino-Soviet rift to its advantage in diplomacy with the Soviet Union and North Vietnam, it had less success in minimizing the divisions in American alliances.

* * * * * * *

FOR more than a generation the United States has maintained with Japan a security treaty and a special relationship that contrasts sharply with US -Japanese relations earlier in the twentieth century. While Japan has continued to regard its relationship with the United States as crucial to its foreign policy in the early 1970s, the so-called "Nixon shocks" were deeply and widely felt in Japan. Thus, largely in response to the Sino-American initiative undertaken by President Nixon, Japan embarked upon an effort to strengthen its relations with both the Soviet Union and the People's Republic of China. Despite the "Nixon shocks," the Japanese policy that resulted from the US diplomacy of the early 1970s has permitted Japan to evolve a more normal diplomatic and an advantageous economic relationship with both Peking and Moscow. Like American foreign policy, a major aspect of Japanese foreign policy in the 1970s therefore, is the exploitation of the deep Sino-Soviet rift in a policy of "equidistance" between China and the Soviet Union.

In 1974 Japan is a country less certain than in the recent past about its future role in a changing world. By virtue of its relatively weak position, except economically and in "high technology" products needed by both China and the Soviet Union, Japan will have great difficulty in remaining "equidistant" diplomatically from Peking and Moscow. Historic and more recent differences between the Sino-Japanese, and the Russo-Japanese, relationships complicate further the evolving policies between Japan and the two leading Communist Powers. The occupation by the Soviet Union of the Kurile Islands at the end of the Second World War provides an issue of considerable importance, which Peking has exploited by urging the return by the Soviet Union of Japanese territory so as to embarrass the Soviet Union in border differences, not only with China itself, but also with East European countries. If the Soviet Union were to return territory to Japan it would establish a precedent that might encourage other countries having territorial disputes with Moscow to press their claims. So long as the northern islands issue remains, relations between Tokyo and Moscow can never be fully "normal."

With China, however, the burden of the past weighs more heavily for Peking than for Tokyo. In contrast to the Soviet Union, which seized Japanese territory and captured thousands of Japanese soldiers in the closing days of the Second World War, it was Japan whose armies early in the twentieth century exacted concessions from China and, later, inflicted great hardship on the Chinese both before and during the Second World War. With the long history of a "love-hate relationship" between them and a close cultural affinity, China and Japan have now entered what appears to be a new era, in which the next step in Sino-Japanese diplomacy is likely to be a treaty of friendship and reconciliation, together with increased trade and technology transfer.

The evolving Japanese *detente* with China in the context of the Sino-Soviet conflict, has led some in Japan to suggest that Tokyo might be able, in the years ahead, to dispense with the Japanese-American Security Treaty. The idea of a neutral Japan, existing by virtue of the Sino-Soviet rift, reinforces long-held views in the Japanese socialist and Communist parties that Japan's future prospects lie in a gradual disengagement from its close association of the past generation with the United States. Those of the left in Japan who hold such views, however, face a dilemma arising from the interest expressed by the Peking leadership in the preservation of the Japanese-American Security Treaty. For without the Security Treaty, Japan might be tempted either to seek its own nuclear capability or to strengthen its relationship with the Soviet Union, neither of which would serve China's interests.

Moreover, in the event of either war or *rapprochement* between China and the Soviet Union, Japan would be left in a highly vulnerable position *vis-a-vis* the victor of such a conflict or, in the case of a *rapprochement*, with either or both the Soviet Union and China as dominant and potentially hostile Powers in the region. Without

the Japanese-American Security Treaty, Japan would be forced either to accommodate to Soviet and/or Chinese policy or to embark on a major new armaments policy. The continuation of the Japanese-American Security Treaty thus remains important to the stability of the Asian-Pacific area even in the less bipolar context of the 1970s.

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TODAY, however, within Japan, there is uncertainty about the future of the Japanese-American relationship and the future role of the United States in the Asian-Pacific region. It is widely assumed that American power in the 1970s, as contrasted with the preceding period, has declined, although crisis which had less effect on the American economy than those of Japan and Western Europe and less developed countries, such as India.

In the international system of the 1970s, there has emerged among Japan, the United States and Western Europe a trilateral relationship that is characterized by parallel interests on most issues, although also by some economic competition. It may be distinguished from the triangular relationship among the United States, the Soviet Union and the People's Republic of China, in which each Power seeks to prevent the other two from developing closer ties with each other. In the Soviet-American-Chinese relationship the interests of each are best served by a condition of neither friendship nor war between the other two. In contrast, the trilateral Japanese-European-American relationship is in the first instance economic, although Japan, Western Europe and the United States also share common views concerning the future of the international system in general, as well as the major political issues confronting them, although a divergence in their policies emerged during the Middle East War of October 1973.

In overall economic strength, however, Japan, dependent vitally on imports of raw materials and foodstuffs, cannot match the United States. Therefore, a Japanese-American-European trilateral relationship, viewed from Japan, is likely to be vertical, rather than horizontal, with the United States clearly at the top, in the dominant position, and Japan and Western Europe as the subordinate members. From the Japanese perspective, the pursuit by the United States of "linkage diplomacy" exacerbates this problem, since allegedly Washington seeks to utilize its demonstrably superior diplomatic-military position to extract economic concessions from Japan and other countries. Moreover, there are in Japan and Western Europe reciprocal images of inferiority. Japanese are apprehensive that in international status they rank behind Western Europe and the European Community looms as a major economic competitor. West Europeans hold similar images of Japan. Both are incorrect. Notwithstanding such formidable perceptual and substantive problems, it will be essential in the years ahead for Japan to be drawn more fully into a global framework for the solution of multilateral problems vital to Japan's future.

At the same time, however, the problem of reconciling American diplomacy toward the Soviet Union and China to US alliances with Western Europe and Japan has never been fully resolved by the United States. Both at home and abroad, and especially in Japan, American policy has been criticized for having given greater priority to US interests in the Sino-Soviet-American triangular relationship than in the relationship with Western Europe and Japan. On certain issues in which there are limited parallel interests, it has been easier for the United States, paradoxically, to deal with the more monolithic decision-making centres of Moscow and Peking than with Japan and Western Europe, with their diversified and cumbersome decision-making frameworks, on a wide range of complex issues to which solutions are even more difficult than those facing the United States in relations with former, existing or potential, adversaries.

Major differences between the decision-making structures of Japan and the United States hamper the conduct of relations between Tokyo and Washington. In Japan, to a much greater extent than the United States, important decisions emerge as a result of a consensus slowly developed within Japanese society, the business community, the political parties and the government. Japanese decision-making appears to Americans to be slow and inflexible, except on rare occasions such as the October 1973 War in the Middle East when Japan rapidly shifted to the pro-Arab position in response to the energy crisis. In contrast, there is Japanese appre-

hension about the rapidity and flexibility of American foreign policy decision-making in recent years, especially when the interests of Japan are given, in the Japanese estimation at least, inadequate attention. Such asymmetries between the American and Japanese decision-making processes make for differences between the United States and Japan in actual policies themselves. Moreover, it becomes difficult for the United States to receive support from Japan, or even to take adequate account of Japanese views, in an evolving US policy because of differences in pace in the policy formation process of the two countries. Last but not least, the problems of Japanese-American relations of recent years have arisen as a result of an apparent lack of co-ordination occasionally within the vast American governmental bureaucracy that participates in the foreign policy decision-making process. Compartmentalization in foreign policy formation not only increases the difficulty of relating in broad conceptual form US policies toward, for example, China to US policies toward Japan. It even makes difficult the achievement of a fully cohesive policy toward one country. The US decision in July 1973 to restrict soya bean exports, for example, was taken without adequate regard for, or even understanding of, its implications for overall Japanese-American relations.

At the same time, however, Japan and the United States, together with Western Europe, face a series of global problems that are likely to remain important especially to industrialized countries for much of the last quarter of this century. The problems of energy supply, food production and raw materials scarcity, trade and monetary policy, will be of continuing importance to both Tokyo and Washington. To expect quick solutions to such issues, or even a consensus about the problems and an agreed multilateral framework for their collaboration, is unrealistic. Nevertheless, such problems can only be resolved in a framework which includes not only Japan and the United States but goes beyond simply an Asian context to embrace the nations of Western Europe and other countries as well, including ultimately the Soviet Union. The future of the Soviet-American relationship will be affected by the extent to which the Soviet Union adopts a collaborative, or obstructionist, stance on the global issues of the future.

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THE deepening of the Sino-Soviet conflict, together with the military threat posed to China by the Soviet Union and the gradual US disengagement from South-East Asia, led the Chinese leadership to reappraise China's relationship with the United States. Peking appears to be seeking a power distribution in Asia, that includes a residual American presence, so as to restrain the Sino-Soviet conflict. This policy is defined by the Peking leadership in terms of new Marxist-Leninist contradictions existing in the world that make necessary the continuation of the revolutionary struggle. Although Peking apparently accepts the idea of great Power multipolarity (while opposing super-Power condominium or hegemony), the Chinese will undoubtedly continue to support "wars of national liberation" while attempting to increase China's influence in less developed countries against the United States and the Soviet Union. Thus the United States will face the continuing need to differentiate between areas of harmony of interest and points of disagreement in its complex relationship with Peking. China will seek to diminish American influence in Asia, but not to eliminate it, as long as the Sino-Soviet conflict continues. The extent to which Peking will attempt to retain a residual American presence in Asia will depend on the level of China's confrontation with the Soviet Union.

These trends, in turn, will be affected by developments within China. In the early 1970s, the emergence of a relatively pragmatic leadership under Mao Tse-tung and Chou En-lai, together with improving economic prospects, contributed to domestic stability, in contrast to the Cultural Revolution of the 1960s. However, Mao's efforts to evolve for China a more secure place in the international system compete with his commitment to the "permanent revolution" within China. The anti-Confucius/Lin Pao and the poster campaigns of early 1974 provided evidence of Chairman Mao's continuing efforts to keep alive the revolutionary fervour of the past. If there is an orderly transition after Mao's death to a collective leadership - by no no means certain at this time - the trends of recent years in China's foreign policy are likely to continue. But the elements making for stability and continuity in Peking's foreign policy are not so firmly rooted as to lead to certainty about the future prospects for the Sino-Soviet, or the Sino-American, relationship.

The extent to which the United States can manipulate the Sino-Soviet conflict to American interest depends upon the latitude available to the United States in strengthening its relationship with Peking. Further steps toward the "normalization" of relations between Peking and Washington are limited by constraints on Chinese policy, the effect of a strengthened Sino-American relationship on Soviet policy toward China and differences between the People's Republic and the United States on substantive foreign policy issues, and other US commitments and interests in Asia. Yet, without forward momentum in the Sino-American relationship, which is unlikely at this time, it is doubtful that the United States will be able, in the period ahead, to make the most effective use of its Peking connexion in providing leverage for American diplomacy with the Soviet Union.

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IN SOUTH-EAST ASIA the problem for US foreign policy is to minimize great Power influence so as to allow States in the region to retain their independence. For the past several years Moscow and Peking have competed for influence in States on the southern periphery of China. As China seeks to prevent the rise of Soviet influence, Moscow wishes to restrict Chinese influence and strives for a strengthened position in States which lie between China and the increasingly important sea-lanes adjacent to South and South-East Asia.

The prospects for the Asian-Pacific area, and especially South-East Asia, will be greatly affected by North Vietnam's continued efforts to expand into the South and to support insurgencies elsewhere in South-East Asia. For the United States, the problem will be to restrain Hanoi and, closely related, to prevent the Soviet Union from increasing its arms supply, including more sophisticated weapons, to the Hanoi Government. As in the Middle East, where the United States faces the difficult problem of restraining Soviet arms shipements to Arab States, especially Syria, the ability of American diplomacy to keep Moscow from providing Hanoi with sufficient military equipment to upset the fragile military balance will constitute an important test of the Soviet-American relationship. Stated differently, to what extent can the United States influence, or induce, the Soviet Union to refrain from seeking unilateral advantage in regions such as the Middle East and South-East Asia? From the American perspective, it is doubtful that a more stable Soviet-American relationship at the global level can be achieved unless regional conflicts invloving the super-Powers, and their client States, are also reduced in intensity.

While continuing to support Hanoi against Saigon, China will oppose the creation of a unified Vietnam under Soviet influence and tutelage. In this latter respect, United States and Chinese interests will probably continue to be compatible. Thus the importance of South-East Asia to overall global United States foreign policy lies in the effect of a strengthened Soviet influence on the relative position of China compared to the Soviet Union. A weakening of China as a result of a successful Soviet strategy of encirclement in South-East Asia would strengthen the Soviet Union in other parts of the world, notably the Middle East and Europe. However, the Soviet Union will face formidable problems in the successful pursuit of an encirclement strategy via South and South-East Asia aimed against China, for the States of the region suffer, in the case of India, Pakistan and Bangladesh, from crushing economic burdens and, throughout the region, from difficult problems of economic and political modernization.

The other significance of this region to the global strategy of the United States lies in the implications of a preponderance of Soviet or Chinese influence for the sea-lanes of the Indian Ocean, the Straits of Malacca and other waterways. Japan, in particular, but also other States in Asia, will remain vitally dependent on the freedom of passage in those oceans and waterways. Soviet or Chinese dominance would make the continued pursuit by Japan of a policy of "equidistance" from both Moscow and Peking difficult, if not impossible. It might also lead to a major new programme of Japanese rearmament. Becuase of its growing naval capabilities, the Soviet Union, rather than China, will have the greater capacity to exert increasing influence on the sea-lanes vital to Japan and other States in Asia. Therefore, a problem for American diplomacy and national security policy in the years ahead will be the minimization of the Soviet naval presence in the Indian Ocean and adjacent seas as part of a broader US strategy designed to assure for

Japan as great independence as may be possible from Soviet influence.

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AS long as the Sino-Soviet split continues at a high level of hostility and if the Sino-American relationship improves, the United States can expect to reap political advantages in the form of some leverage on Moscow and a decreased Chinese threat to other countries in Asia. But the Sino-Soviet conflict cannot provide a substitute for US engagement in Asia, just as it cannot afford a viable alternative to Japan for the Japanese-American Security Treaty. The advanced ages of the Soviet and Chinese political elites ensure that both countries will face leadership changes. Even if the Sino-Soviet alliance of 1950 is not revived, as it is not likely to be, the United States will be better able to contribute to the stability of Asia if it has not fully mortgaged its future role to the expectation that China and the Soviet Union will continue to balance each other in the absence of a visible US commitment to Asia, particularly to Japan. The value of the United States to both Japan and China as a stabilizing influence in Asia can only be diminished by the rapid withdrawal of US power or by a relative decline in US nuclear and conventional capabilities.

The United States should attempt, therefore, to retain its position as a key stabilizing influence in Asia by developing co-operative relationships with as many States as possible and by continuing to back its diplomacy with credible military capabilities. Since tangible military power remains indispensable to the credibility of guarantees, acceptance of the need for a continued, if reduced, American military presence in the region will be an essential prerequisite to stability in the Asian and Pacific region in the remaining years of this decade. This includes the need for a strategic guarantee to Japan against a Soviet attack, admittedly more difficult under conditions of super-Power nuclear "parity," and capabilities to assure freedom of passage in the increasingly important sea - lanes of the Asian-Pacific region.

For at least the remaining years of this decade, the United States will probably be able to provide a credible strategic guarantee for Japan, especially if the American nuclear force includes increasingly accurate capabilities. However, the prinicpal problem for the United States will be the development of non-nuclear forces adequate to US goals in the region. As US forces in Asia are reduced, the question arises as to whether they are adequate to meet existing or projected security threats and, if not, why should they not be withdrawn, especially if the United States is not liekly to intervene on a massive scale on the Asian mainland. This problem can only be resolved within a policy framework that relates US interests in the Asian-Pacific region to American defence strategies and doctrines and, ultimately, actual force levels. In the absence of such understanding, pressures will mount both in the United States and Asian host countries for their withdrawal as local governments seek whatever political accommodations may be possible with existing or potential adversaries.

In the case of Thailand, there is sentiment, vaguely expressed at the official level, that the withdrawal of remaining American forces would make it less difficult for the Thai Government to reach agreement with Hanoi to restrict North Vietnamese support for the insurgency in North-East Thailand and possibly even to conclude that conflict. Yet the North Vietnamese leadership, steeped as it is in Marxist-Leninist theory and practice, has demonstrated a clear understanding of the inextricable relationship between military power and international diplomacy. Therefore, it is difficult to conclude that without American forces, even at existing levels, the bargaining power of Thailand with North Vietnam would be enhanced. Perhaps the more appropriate model for Thailand and the United States would be that embodied in the Shanghai Communique of February 1972, in which the United States agreed to reduce its military presence in Taiwan as relations between Washington and Peking, and between Taipei and Peking, improved. An American military presence, and specifically air power, in Thailand, even in reduced form, provides some leverage for restraining North Vietnam form greater support for the insurgency in Thailand and from a massive attack against South Vietnam. To the extent that the United States retains a capacity in Thailand to destroy Soviet-supplied North Vietnamese capabilities, the residual American presence serves not only US, Thai and South Vietnamese interests, but indirectly those of the People's Republic of China. The

strengthening of North Vietnam under Soviet auspices accords with the security needs of neither the United States and its Asian allies, nor those of Peking.

In the 1970s the lowered level of the threat posed by China has reduced, but not eliminated, the need for the forward deployment of major American military capabilities in Asia. Increasingly, however, a viable off shore strategy will be essential to American interests in Asia, Such a strategy will make necessary the modernization and improvement in the mobility of US forces. The participation of other Asian countries, including Japan, in the joint financing of defence infrastructure projects would be useful, but there appears to be little likelihood that the Japanese will be prepared to contribute significantly to such foreces in the near future. Nor do the prospects appear promising for a joint naval force in the Indian Ocean such as that proposed by Prime Minister Lee Kuan Yew of Singapore. In fact, there is little, if any, likelihood that the existing bilateral or multilateral defence arrangements between the United States and its allies will be strengthened, or even preserved, in their present form.

In addition to retaining a military presence in Asia, the United States should seek to channel Japanese economic capabilities toward global and regional socio-economic development needs. Moreover, the United States should view with sympathy Asian-sponsored proposals for genuine regional neutralization and minimization of major Power naval capabilities, including those of the Soviet Union, in the Indian and Pacific Oceans. The retention of a residual American military capability, and efforts to restrict the growth of Soviet influence, are vital to the broader US interest in the preservation of the Japanese-American relationship, the continuation of *detente* with China, and the strengthening of the independence of the States of South-East Asia, all of which, in turn, are crucial to American policy in Asia viewed in global perspective.

Editorial Note

US — ASIAN SECURITY ARRANGEMENTS

THE Assistant (now Deputy) Secretary of State Robert Ingersoll presented the following testimony on US-Asian security arrangements to the US House of Representatives Subcommittee on Asian and Pacific Affairs on 3 April 1974:

"Since the word commitment has been bandied about a good deal, I propose for the sake of clarity to limit the sense of that word to the obligations we have undertaken in defence treaties. In Asia, we have signed six such treaties: four bilateral, with the Philippines, the Republic of China, the Republic of Korea and Japan; and two multilateral, ANZUS with Australia and New Zealand, and the South-East Asia Collective Defence Treaty and its organization SEATO, with Thailand, the Philippines, Australia, New Zealand, France and the United Kingdom. (Pakistan was a member, but after formally denouncing the treaty, withdrew last year.) This treaty is the only formal defence link between Thailand and the US; all other members have other security agreements with us. A protocol to this treaty also extends its protection to so-called "Protocol States," with their consent, in the event of armed attack. South Vietnam, Laos and Cambodia were originally designated "Protocol States", but both Cambodia and Laos have renounced the protection of the treaty.

The wording of these agreements varies, but in general they provide for consultation whenever a party considers that the territorial integrity, political independence or security of any party is threatened. These agreements further state that each party recognizes that an armed attack on any party would endanger its own peace and safety and that it would act to meet the common danger in accordance with its constitutional processes. In the case of the Southeast Asia Collective Defence Treaty, the commitment to act on the part of the US is limited to instances of Communist aggression.

It should be noted that these treaties do not attempt to define the specific action to be taken in the event of external armed attack. Thus, these commitments do not bind us to any particular course of action; depending on the facts of the situation, our options might range from merly undertaking diplomatic activity, to the provision of assistance, to the extreme of taking action involving the use of armed force. Oour obligation would be to act in good faith to meet the common danger in accordance with our constitutional processes.

Commitments in the form of defence treaties express a country's perception of its deepest national security interests. A defence treaty is in effect a formal recognition of the commonality of security interests between two countries, a recognition that the security of one country is important to the security of another. It is a public manifestation of this fact and has a dual consequence—it provides the interested parties a degree of mutual reassurance regarding their security and it puts all other countries on notice that these parties stand together. When one of the parties is the US, the treaties become an enormously important factor—a given, fixed, stabilizing element in an often fluid international situation. Taken together, the defence treaties signed by the US in Asia reflect with utmost clarity the historical American position in this area: while the US does not seek hegemony in the region, neither can it accept the domination of Asia and the Pacific by any other nation or combination of nations.

This position formed the basis of American policy in Asia in the 1930s when we opposed Japanese expansion and in the quarter-century following World War Two when we assisted Asian countries to resist aggression or pressure by Asian Communists.

We fought World War Two even though we had no treaty commitments in either Europe or Asia; we fought in Korea in 1950-54, even though we had no treaty commitment at that time with the Republic of Korea. Plainly the absence of commitments does not shield us from becoming involved in major conflicts, and may even lead to conflict when it otherwise might not occur. It was perhaps a recognition of this possibility as much as any other fact that led the US in the last 25 years to enter into more treaty arrangements than ever before in its history. The generation which fought World War Two returned determined that major war should not happen through inadvertence, and that to secure peace the US would have to play an active role in the world and to commit itself, in advance, to the defence of the interests it deemed vital. This generation believed that only by committing ourselves would we prevent other countries from again miscalculating American security interests and risking another catastrophe. Underlying this view was the judgment that World War One and World War Two would not have happened, had the US played a more responsible role in international affairs and had it defined, clearly and in time, the nature of its national interests.

Our defence treaties have been major stabilizing elements in the world, and have largely achieved their main objective—to prevent war through miscalculation. There has been peace in Europe since World War Two, generally there has been peace in East Asia and the Pacific since 1954—with the single tragic exception of Indo-China. The experience of this century seems to me quite conclusive: we have gone to war even without any treaty commitments; we have avoided wars in part by the structure of defence treaties which we have signed.

Treaties reflect a country's security interests, but they must be credible to be effective deterents. The parties to a treaty must be perceived by other countries to have not only the will to fulfill their obligations but also the means to do so. For the US in Asia this has meant the creation of a network of bases and facilities and the deployment of forces.

But these have been the subject of constant change and adaption.

—In December 1969, there were 764,000 forces deployed in Asia—including forces afloat, excluding our troops in Vietnam there were approximately 290,000 forces in the region at that time. Today, that number is under 180,000 including some 21,000 afloat, a drawdown of some 110,000 in addition to withdrawals from Vietnam.

—Of this number, some 38,000 are in Korea where they continue to contribute to the peace and stability of this critical region; this compares with 64,000 at the end of 1969:

—About 16,000 are stationed in the Philippines where US bases historically have been key links in our strategic posture in the western Pacific; this compares with 25,000 in December 1969;

—Some 6,000 are on Taiwan where our presence is related to the US security commitment to Taiwan itself under the mutual defence treaty of 1954. This represents a reduction of over 3,000 since 1969. Our deployments on Taiwan will continue to be reviewed and we anticipate that further reductions will occur consistent with the Nixon Doctrine and an improvement in security conditions.

—There were in December 1969 89,000 troops stationed in Japan (including Okinawa). There are now approximately 55,000 giving substance to the security treaty which is at the heart of our close bilateral relationship; and,

—36,000 (of which 31,000 are assigned to the air force) are in Thailand where they add weight to our effort to bring about a peaceful settlement in Indo-China, down some 12,000 from the highpoint of 48,000 in 1969. Reflective of the improved situation in Indo-China, we and the Royal Thai Government have just announced (27 March) our intention to further reduce the US military presence in Thailand by approximately 10,000 authorized positions by the end of 1974."

All but 500 of the US military personnel to be withdrawn by the end of 1974 under this agreement had left Thailand by early September, according to a US Embassy spokesman in Bangkok (Bangkok Post, 5 September 1974). Remaining personnel totalled 27,500.

About 350 US aircraft were still in Thailand at that time. These included 23 B52 bombers at U-Tapao airbase, south of Bangkok, compared with about 50 in March; about 200 strike aircraft, deployed at Udorn and Korat bases; and over 100 support aircraft (Bangkok Post, 13 July and 22 August, 1974).

At the height of the Indo-China war there were about 700 US aircraft, stationed as US components at seven Thai bases. US activities at Nam Phong Air Base in North-East Thailand ended during 1973 and the US components at Takhli and Ubon were to be withdrawn before 1 October 1974 (although the latter was to stay on "stand by", with caretakers remaining to maintain the buildings, Bangkok Post reported on 5 September).

I believe, on the basis of my recent travels, that the countries of the region fully appreciate the importance of this security system (in which others such as Australia, New Zealand and the UK also participate) to peace and stability in Asia. Even though the proposal of ASEAN (Association of South-East Asian Nations) for the neutralization of South-East Asia contemplates the eventual termination of security ties with nations outside the region, four ASEAN members participate either in SEATO or the Five-Power Defence Arrangement between the UK, Australia, New Zealand, Singapore and Malaysia. The fifth ASEAN member, Indonesia, tacitly approves of their participation. These multilateral and bilateral treaty arrangements have provided an underpinning of continuity and assurance that has facilitated, not impeded, co-operation among these nations and an adjustment of relations with former adversaries. We should not undermine the sense of confidence that has developed among the nations of the region by prematurely dismantling these security arrangements. Uncertainty and doubt would result from such unilateral US action, which could well be misinterpreted as a US withdrawal from Asia and could also affect the willingness of others to do their share in contributing to development and security in the region.

Since I served as Ambassador to Japan, let me say just a word about our relationship with this great country which is the keystone of our Asian security system. Japan is the third economic Power in the world; yet it continues to maintain only limited military forces and remains deeply committed to the provision of its constitution renouncing war. It has also shown no interest in becoming a nuclear power. This imbalance between economic and military power is made possible and acceptable by Japan's security relationship with the US. I believe our interests are well served by this situation. We have excellent and co-operative relations with this creative and dynamic country. At the same time, today's Japan is accepted by all the countries of the area, including China. If ever Japan were judged to be returning to an earlier militarism, tensions would rise throughout Asia, countries would arm, and China in particular would react strongly. The situation would be thrown into even more serious relief were Japan to acquire a nuclear capability. Thus I believe the confident alliance between Japan and the US, the key to which is our security treaty, serves the interests of ourselves, of Asia and of the world.

In examining our defence arrangements, I believe it becomes quite clear that they are beneficial to this nation. Too often there is a tendency to view our efforts abroad as acts of generosity, to consider only the benefits enjoyed by other countries, as if our defence ties were a protective shield thrown over weaker countries by a generous America whose sole interest was the welfare and peace of others. Although I recognize and value America's generous motivations in foreign affairs, I strongly believe that a viable policy must be firmly rooted in the native soil of national interests. Our defence treaties are so rooted. They have helped to create a climate in Asia which has advanced those interests and has permitted the US to have more extensive and deeper relations with the countries of the area than any other nation. In many ways, the US—not geography—in the unifying factor in that part of the world. The benefits we derive are:

—Political: we are able to work co-operatively with Asian countries toward any ends we favour;

—Economic: the stability fostered by our defence ties has contributed to Asia's economic growth; a quarter of our trade is now with Asia and that proportion is rising;

—And perhaps, most important, we derive benefits related to our security. Despite all the tensions and dangers of these years, peace has been preserved in North-East Asia; we are on the road to normalizing our relations with China; we have helped avoid wars among countries of the region.

One last point. It is said all this security system costs money which we need very badly at home. It is true: defence today is expensive. Unfortunately there is no way of measuring the point at which allies and would-be adversaries conclude that the US is no longer a meaningful military Power. Judgment on that point is psychological and political, and therefore not quantifiable. Defence expenditures must be viewed as an insurance policy. You must pay for the maintenance of peace. Part of this cost is the maintenance of adequate, not excessive numbers of troops abroad. You may be paying far too much, but you will only know this conclusively when you have begun to pay too little and the situation shifts against you, with friend and foe readjusting their positions according to a new perception of American will.

No treaty, no commitment, no alliance is immutable. Times and circumstances change. Thus, while maintaining our commitments we have sought to adjust our responsibilities and our role in keeping with changing conditions in the region. In the past four years we have drawn down our forces in East Asia from a level of 764,000 including 474,000 in Vietnam, to under 180,000 today. Leaving aside the troop withdrawals from Vietnam, this represents a reduction of 110,000 in our military forces in the region. We have steered a careful course of gradually shifting the burdens of defence to the countries of the region, while providing, through our continued presence and the affirmation of our commitments, an element of stability during this transition process.

Gentlemen, none of us need to be reminded that the US has been involved in three wars in Asia in only two generations. We have learned, in the most costly way, that discord and tension in that vast region inevitably affects the interests of the US and the world as our interrelationships with Asia have become more numerous and complex. We can hope the converse will also prove true—that stability and peace in Asia will rebound to the benefit not only of Asian peoples, but of the US and the world. The structure of alliances we have established and maintained over the last quarter century has contributed significantly to that end. I am convinced that it continues to be of inestimable value to our basic national interests, and should be preserved."

ASIA AND THE GREAT POWERS (II):

Indonesia – representing nearly half the population of South-East Asia, dominating the strategic waterways between the Indian and Pacific Oceans and possessing potentially large resources of oil – holds the key to the future pattern of Power relations in South-East Asia, Professor Nuechterlein writes. He suggests that this country should be brought into a new relationship with the People's Republic of China, Japan, Australia and the USA, so as to counter the growing common danger of Soviet political domination of Asia.

The Emerging Sino-Soviet Contest in South-East Asia

Donald E. Nuechterlein

WHEN the General Secretary of the Soviet Communist Party, Leonid Brezhnev, first proposed a Soviet-sponsored Asian security pact in June 1969, few Asian governments showed any interest in the idea and some openly criticized it as being unnecessary. Brezhnev's plan was couched in general terms, and Asian as well as Western observers were puzzled over what the Soviet leader had in mind. When he brought up the subject again during his visit to New Delhi in November 1973, the Indian Government politely declined to include the Soviet proposal in the final communique; however, Asian leaders began to suspect that the Soviet Union had embarked on a concerted effort to attract Asian States into a new Soviet security system, embracing at least the Indian Ocean area and, perhaps, eventually also South-East Asia. The question is why Moscow should wish to pursue such an ambitious project at this time?

If we look back to 1969 and recall other important foreign policy decisions made by the major Powers at that time, the reasons for Brezhnev's initiative become clearer. First, Soviet and Chinese troops had clashed along the Ussuri River in Manchuria in March, and both sides apparently suffered significant casualties. Second, the United States decided during the spring of 1969 to start withdrawing American forces from Vietnam even without a political settlement of the war. Third, the British Government began the withdrawal of military forces from the area "East of Suez." Finally, President Nixon enunciated the Guam Doctrine (later known as the Nixon Doctrine) in the summer of 1969 and put America's allies on notice that they would be expected to carry the major burden of defending themselves against insurgencies and conventional attack. Together, these events marked a significant change in the international environment, and they set in motion the diplomatic moves which have come to be known as *detente.* But these events in 1969 also suggest that Brezhnev's proposal for an Asian security pact was based on the Kremlin's assessment of a changing balance of power in South and South-East Asia, resulting from the withdrawal of British and American forces, and that the Soviet Union might be able to advance its long-range goal to contain Chinese political influence in Asia by building a ring of friendly States around China's periphery.

By 1974, it was clear that the Soviet Union had replaced Britain as the primary naval Power in the Indian Ocean, and the projected opening of the Suez Canal in 1975 would enhance its position by shortening Soviet supply-lines from the Mediterranean and the Black Sea. The Nixon Administration used the occasion of the Israeli-Egyptian cease-fire agreement to reopen the canal as a pretext for asking Congress to authorize enlargement of US naval facilities on the British-owned island of Diego Garcia in the Indian Ocean; however, no one suggested that the United States intended to match the build-up of the Soviet fleet in that part of the world.

It could reasonably be concluded, then, that an important aspect of Brezhnev's proposed Asian security pact is to assure a friendly reception for Soviet ships in an area where they will require repair and replenishment facilities at least. Yet, in August 1974, Moscow denied that it had any naval bases in the Indian Ocean.

Beyond establishing the Soviet navy's strong position in the Indian Ocean, what longer-range political objectives will be served? In a word, what are the Kremlin's long-term national interests in South and South-East Asia, and how do these Soviet interests impinge on the longer-term interests of the People's Republic of China, (PRC), Japan, and the nations of South-East Asia? And what of the United States' interests in the Pacific and in East Asia? In looking at the national interests of these major Powers in Asia, it is useful to assess them under four basic, long-term goals which all major Powers have in one degree or another. These are:

- defence of the homeland;
- pursuit of economic well-being;
- building of a favourable world order (balance of power);
- promotion of the national ideology.

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THE principal defence interests of the Soviet Union lie in Europe, where German invaders were encountered in two world wars, and in Asia, where Japan posed the primary danger to Russia during the early part of the twentieth century but has now been replaced by China as the principal threat to Soviet territory. The United States, of course, has the strategic capability to destroy the Soviet Union, but there are no common borders nor historical enmities exacerbating relations between these super-Powers. Conversely, the long border between China and the Soviet Union and the history of Tzarist incursions into Imperial China's domains are a source of serious conflict between them, particularly following the ideological split between Moscow and Peking in the 1960s. The armed clash on the Ussuri in 1969 apparently confirmed for the Soviet Union that China was not simply an ideological threat, but a military one as well. Thereafter, Soviet leaders have shown greater interest in building friendly relations with Europe, particularly defusing the German problem, and concluding a strategic arms limitation agreement with the United States. For the future, Soviet leaders probably see China as the principal threat to the homeland of Russia, and their efforts at *detente* with the United States and Europe are based on this perception of Soviet defence interests.

On the economic side, the Soviet economy is relatively insulated from the outside world and Moscow does not depend on foreign trade to maintain its Power position. Although Moscow occasionally runs short of grain during poor harvests, as occurred in 1972-73, the Soviet economy is not dependent on foreign oil and other natural resources to sustain a reasonable standard of living for its people and to continue the build-up of Soviet military power. While foreign investment and Western technological know-how are sought by the Kremlin leaders so as to develop Soviet natural resources (Siberian oil and natural gas, for example), there is no real evidence that the Soviet political and economic system will suffer seriously from lack of foreign capital and technical assistance. In terms of overall Soviet national interests, therefore, economics is not of overriding importance.

It is in the category of world order — balance of power — interests that the Soviet Union exhibits its real ambitions for the future. These interests comprise four major objectives:

- To gain and maintain Soviet military equality with the United States, and thus to be treated as a super-Power by the rest of the world.
- To isolate China so as to make it less of a threat to Soviet defence and ideological interests.
- To neutralize Western Europe, and
- To build a sphere of influence in South and South-East Asia to serve longer-range Soviet world-wide interests.

The first three of these objectives are well-known and understood in the West; but the fourth — the building of a Soviet sphere of influence in the Indian Ocean area — is a more recent factor in Soviet foreign policy and requires elaboration.

Briefly stated, the Soviet Union apparently decided in 1969 that it had a rare opportunity eventually to become the pre-eminent Power in the Indian Ocean area after British forces were finally withdrawn in 1971. The American withdrawal from Vietnam, which began in 1969, and

the Nixon Doctrine enunciated the same year, probably convinced Moscow that Washington was not prepared to fill whatever power vacuum might exist in the Indian Ocean after the British departure, nor in South-East Asia after the American withdrawal from Vietnam. No other Power on the horizon seemed capable of taking the place of the British, even though India and Indonesia might aspire to do so in the Indian Ocean, and Iran might wish to play a larger role in the Persian Gulf. The Soviet Union viewed India as a key link in this objective; and in 1971 Moscow concluded a treaty of friendship with New Delhi as well as enhanced its role as principal supplier of arms and economic assistance to that country. The Soviet Union has recently become the largest buyer of Malaysia's natural rubber and has supported Kuala Lumpur's call for the neutralization of South-East Asia. Soviet ships have refuelled at Singapore, and Soviet representatives have sought to improve relations with Indonesia by rescheduling the vast arms debt owed from the Sukarno period and offering new Soviet aid, so far without much success.

Soviet interest in the Indian Ocean area seems to be motivated primarily by concern over long-range Chinese ambitions in South and South-East Asia, and Soviet policy is aimed at containing China politically and economically by concluding friendship treaties with as many nations as possible along the periphery of China. A longer-term, and also far more ambitious Soviet interest in the Indian Ocean may well be to enhance its influence with the Arab oil-producing States, and Iran, and then use this influence to gain political concessions from Japan and Western Europe for Soviet policies *vis-a-vis* China and the United States. This does not suggest that Moscow seeks political domination of the countries of the Middle East, or South and South-East Asia; rather, it points to the possibility that Moscow has a long-range interest in becoming the primary foreign influence in these areas and is prepared to work with whatever governments may be in power in these countries on the basis of convergent national interests. For example, when the Soviet Union provided Indonesia with large amounts of economic and military assistance in the late 1950s, it appeared willing to work with a non-Communist Sukarno Government because at that time Moscow and Djakarta had convergent national interests in South-East Asia. Similarly, India today is a democratic rather than a Communist State; but it and the Soviet Union have convergent national interests in South Asia, making it possible for them to co-operate on many foreign policy matters, including defence. India's detonation of an atomic device on 18 May, 1974 underlined its claim to major Power status in South Asia and makes it a more equal partner of the Soviet Union in any joint undertakings they may pursue in the future. Why not, therefore, an Asian security pact in which the Soviet Union guarantees protection of each Asian State against possible encroachments by a neighbouring State?

Soviet hegemony in South and South-East Asia is a remote prospect at present; but in the longer-term, after Moscow has established a pre-eminent naval presence in the Indian Ocean, the USSR may well be looked upon by some insecure States as a balancer against Chinese influence in South-East Asia and as the major supplier of foreign aid in case American and Japanese assistance is curtailed.

Finally, on the ideological side, the Soviet Union clearly has subordinated its interest in promoting world-wide Communism to its defence and world order interests. The ideological struggle with China was caused in large measure by Soviet unwillingness to subordinate the historical interests of Russia to a world-wide ideological struggle against capitalism, involving great risks to Soviet territory. Unlike China before 1971, the Soviet Union was prepared to deal on a State-to-State basis with many countries, even though it also supported local Communist groups wherever this did not incur large costs. Nevertheless, Moscow still has some interest in aiding local parties and groups which profess Marxist ideology, and this may in some circumstances inhibit its relations with the non-Communist governments of South and South-East Asia. In some cases, the Soviet Union might be considered a lesser ideological threat than China, which could give Moscow the edge in a Sino-Soviet contest in South-East Asia.

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CHINA'S national interests today are more difficult to define than those of the Soviet Union because so much of its foreign policy is described in Marxist terminology and Maoist propaganda. However, the actions of the PRC and the reports of interviews given by Prime Minister Chou En-lai and Chairman Mao over the

past five years suggest certain directions of Chinese policy.

In terms of national defence interests. China has come to regard the USSR as the principal threat to its territorial integrity and political institutions. Prior to 1968 their ideological quarrel was limited to verbal attacks; however, the Soviet intervention in Czechoslovakia that year and Brezhnev's declaration that the Soviet Union had the right to intervene in the affairs of other Socialist States so as to ensure correct ideology caused the Chinese Government to shift its view on Soviet intentions and to conclude that Moscow might indeed launch a direct military attack on Chinese territory. This fear was heightened by the military clash on the Ussuri; and China also feared that its growing nuclear missile capability might cause Soviet leaders to launch a pre-emptive strike against these facilities and force a political showdown with the Chinese leadership. China's shift away from viewing the United States as its principal defence threat was facilitated by President Nixon's decision in 1969 to begin withdrawing US forces from Vietnam, and by his subsequent statements that all American forces would eventually be withdrawn. China is also concerned about the potential rearmament of Japan; however, so long as Japan does not elect to build an offensive military capability, including nuclear weapons, China will not consider Japan to be a serious threat to its security.

In terms of economic interests, China under Communist rule has not made sufficient economic progress in 25 years to qualify it for super-Power status; in fact, China has made a very poor showing compared with its principal Asian rival — Japan. When Moscow cut off assistance to China in 1959 and withdrew Soviet technicians, Peking had no alternative source of foreign assistance. In addition, the Cultural Revolution set back the Chinese economy several years, so that today China must be considered a weak country in terms of industrial capability. If China aspires to equal status with the Soviet Union and the United States in international power and prestige, it must have foreign economic assistance and technology to stimulate economic growth on a massive scale. Such large economic aid is available only in Japan and the United States at present, and the question is whether the current Chinese leadership will be prepared to make the political decisions required to attract the large amounts of development assistance necessary to sustain a high level of economic growth. In this writer's view, China's national economic interest will be perceived by its leadership as being essential to its long-term goal of leadership in Asia, particularly in its competition with the Soviet Union. Without rapid economic growth, sustained over many years, China cannot achieve super-Power status even though it builds the most powerful military force in Asia.

China's world order interests lie in preventing any single Power from domination the political life of East Asia whether this be in North-East Asia (Korea and Japan), South-East Asia (particularly the mainland States of North and South Vietnam, Laos, Cambodia, Burma and mainland States of North and South Vietnam, Laos, Cambodia, Burma and Thailand), and also in South Asia (India, Pakistan, Bangladesh and the Himalayan States). China went to war in 1950 to prevent the United States from moving its sphere of influence to the Chinese border on the Yalu River, and few authorities on China doubted that it would have intervened in Vietnam had an American ground attack been launched in the Tonkin Delta area. China is not at present fearful of Japan's political designs in East Asia; but memories of the 1930s are still strong among China's leadership, and Chou En-lai reportedly told Japanese socialists not to be in a hurry to remove the American defence umbrella from Japan. India has been a source of concern for China's world order interests in South Asia, and the two nations clashed militarily in 1962 over a border dispute. China also gave diplomatic support to Pakistan during its 1971 conflict with India and has shown a particular sensitivity to potential changes in Burma's strict neutrality policy. India's acquisition of atomic or nuclear weapons could well increase tensions on the China-India border.

In the 1970s, however, the principal threat to China's world order interests is clearly the Soviet Union. China apparently was willing to reduce its support of North Vietnam's war efforts in Indo-China not only to achieve an understanding with the United States regarding the future of Taiwan but, more importantly, to balance the aggressiveness of the Soviet Union. China's behaviour in the United Nations indicates that it wishes to play a responsible role there, but it loses no opportunity to embarrass the Soviet Union and undercut its objectives.

Finally, China's ideological interests today are in a state of flux and show much ambiguity. This is because China's support for wars of national liberation was the cornerstone of its foreign policy until about 1970 and, despite talk of *detente,* China's propaganda continues to encourage subversion and insurgency in many parts of Asia and Africa. Thus, one can only speculate how important ideology remains as a conditioner of Chinese foreign policy. The dilemma of China's situation may well lie in the danger that *detente,* and increasing contacts with the West, will have a weakening affect on the regime's ability to maintain discipline over the Chinese people. If the price of *detente* should be modification of the Communist system of government, *detente* probably will be discarded by Peking.

The People's Republic of China is currently in a delicate transitional stage of re-evaluating its national interests, and the internal turmoil of early 1974 may have been caused, in part, by an unwillingness of party leaders who believe ideology is still the primary national interest of China to accept the view held by the moderates (who currently control foreign policy) that defence against Soviet imperialism and the building of China's lagging economy must now take precedence. The outcome of this profound debate is not yet settled; but China's behaviour during the past five years clearly shows that ideological interests have been modified to make possible some accommodation with the United States.

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JAPAN'S national interests since the Second World War have been so inextricably bound up with those of the United States that it has been unnecessary until recently to reflect on what Japan sees as its future interests. The Nixon "shocks" of 1971 — Kissinger's visit to China and the economic jolts of August 1971, both undertaken without consultation with Japan— have resulted in a new relationship between Washington and Tokyo in which the latter no longer follows the former in whatever foreign policy it adopts. Japan's decision in November 1973 to "tilt toward the Arabs" so as to ensure a flow of oil was the first open break with a major United States policy since the Second World War, and it presaged additional independent actions by the Japanese Government.

Japan seems to have a continuing interest in maintaining the American nuclear umbrella, as well as some American bases in Japan and Okinawa. While Japanese economic power might suggest that it should build a large Navy and Air Force to underscore its new status, the pragmatic Japanese political elites are fully aware of the impact such a policy would have on China and the Soviet Union, to say nothing of the South-East Asian nations which experienced Japanese militarism only a generation ago. Furthermore, building a credible military force is an extremely expensive undertaking, and it is unlikely that a moderate Japanese Government would divert a greater proportion of its national budget to build a powerful Navy and Air Force unless Japan had real cause to doubt the reliability of America's nuclear deterrent, or unless Japanese and American economic interests clashed so sharply that Tokyo felt obliged to seek protection elsewhere. The likelihood of either of these contingencies happening in the foreseeable future is small; but Japan can no longer afford to dismiss such questions out of hand. This realization has now opened up the possibility, for the first time since the Second World War, that Japan might at some time decide to go the way of France and build an independent military force while maintaining the alliance with the United States. In 1974, however, Japan seemed content to concentrate on its economic interests and to avoid establishing an independent military force.

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THE "ERA OF DETENTE", which grew out of President Nixon's visits to Peking and Moscow in 1972, and the cease-fire in Vietnam on 27 January 1973, led many observers to conclude that the major Powers in Asia were prepared to remove South-East Asia as a major battleground in international politics. Such an understanding among the Powers, it was argued, would permit the peoples and States of South-East Asia to work out their own destinies without intervention by the major Powers and thus increase the prospects for peace in an area which had been plagued by war for 25 years. That optimism seemed less well-founded in 1974.

Despite the gradual reduction in warfare in Indo-China in 1973-74 and the disengagement of American military power from the mainland of South-East Asia, this region remains a strategic cross-roads of the world. Its natural resources are becoming more important as the rorld's demand for oil and minerals expands markedly in the mid - 1970s. Indonesia, Malaysia, Thai-

land and Burma have large natural resources that have not yet been fully tapped, and the offshore areas in the South China Sea probably contain rich oil deposits. Furthermore, the nations of South-East Asia remain economically and politically weak, and thus susceptible to pressures both from within the region and from without. The violent demonstration against the Japanese Prime Minister, Kakuei Tanaka, during his visit to Indonesia in January 1974 is an example of the continuing frustration of many South-East Asians that their standard of living has not improved in recent years, while that of Japan and the Western nations has clearly done so.

The major reason however, why South-East Asia will continue to be a contested area in world politics is that the era of *detente* has been applied only to relations between Washington and Peking, and Washington and Moscow – not between Peking and Moscow. The Soviet Union suspects that China intends to use *detente* with the United States as an opportunity to expand its political influence into the mainland South-East Asian States, and eventually also into the non-mainland areas of Malaysia, Singapore, Indonesia and the Philippines. Conversely, China sees the Brezhnev Asian security proposal as a plot to line up South-East Asian nations against China – in fact, a political containment effort by the Kremlin. The propaganda from Moscow and Peking directed towards South-East Asia clearly indicates that each considers the other as its principal enemy in this area.

What, then, is the role of South-East Asia likely to be in a new Asian balance of power? In the view of this writer, the key country in South-East Asia, in the future as in the past, is Indonesia. It has nearly half the population of South-East Asia, and it dominates the strategic waterways between the Indian Ocean and the Pacific. In addition, Indonesia has what are believed to be large potential reserves of low-sulphur oil, giving it a strong bargaining position with Japan and other industrial nations. Because of these important assests, it is useful to ask how Indonesia assesses its own national interests in the future, and how these relate to the other Asian Powers previously discussed.

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INDONESIA'S defence interests are to hold the island republic together under a central government and to ensure that its sovereignty is not endangered by any major Power. Indonesia has nothing to fear from other South-East Asian countries because it overshadows all of them in size and resources. At the present time, none of the major Powers threatens Indonesian territory or sovereignty, but the Suharto Government remains suspicious of Chinese intentions because Peking was thought by the Indonesian Army to have aided the PIK (Communist Party) rebellion in 1965, which nearly crushed the Army but was itself decimated in an anti-Communist bloodbath later that year. The threat from China is seen as political rather than military, directed at the Chinese minority living in Indonesia. There has long been anti-Chinese feeling among the Indonesians, and the local Chinese are more often than not viewed as subversives for Peking rather than loyal Indonesians. The current Indonesian leadership considers China, not the Soviet Union, to be its principal foreign threat, although this is latent rather than real.

Indonesia's economic interest is similar to that of China: to build an economically strong State which can support a rising standard of living for its 120 million people, and to maintain armed forces which are capable of exerting influence both in South-East Asia and the Indian Ocean. This may well require a modest navy. Indonesian leaders realize they cannot aspire to a Power position in Asia unless they have a strong economy and technological capability. In the foreseeable future, Indonesia will therefore encourage foreign capital and technical know-how into the country and seek to raise the educational level of its population. For without economic progress, Indonesia will be unable to achieve the political status it covets in Asian political affairs.

Indonesia's world order interests are great and should not be under-estimated. President Sukarno convinced his people that they had an important destiny – to be the pre-eminent Power in South-East Asia and perhaps also in the South-West Pacific. Although Sukarno's ambitions were not matched by his country's ability to achieve them in the 1960s when he sought to extend his influence over Malaysia and Singapore, the Indonesian dream of carving out a sphere of influence in South-East Asia is not dead. To achieve this, Indonesia must resist the efforts of other Powers to play a major role

in South-East Asia and also forge a relationship with its neighbours in which Indonesia is the major spokesman. The Association of South-East Asian Nations (ASEAN) serves this function well, and it has had some success in co-ordinating political moves among its five members (Indonesia, Singapore, Malaysia, Thailand, and the Philippines). One ASEAN objective is to create a zone of non-aligned nations in South-East Asia which would be free of Power blocs; however, there are internal weaknesses in this concept because all of the ASEAN members with the exception of Indonesia have defence relationships with either the United States or the Commonwealth countries. Until these weak nations feel more secure, Indonesia is unlikely to persuade them to abandon their defence ties with the West for the sake of non-alignment in South-East Asia.

The ideological interest of Indonesia is the furtherance of Indonesian political influence and culture in as wide an area of Asia as possible, including the Indian Ocean area. Indonesians are proud of their successful revolution, which gained them independence in 1949, and the Indonesian nationalism espoused by President Sukarno lives on after him. This does not suggest that the current leadership in Djakarta is intent on extending Indonesian hegemony is South-East Asia (the Suharto regime has been very responsible in its relations with Indonesia's neighbours, and with the major Powers in Asia) but there is a latent potential for expansionism in the Indonesian ideology, and under certain circumstances this could once again be converted into opportunism in international relations – the kind which scared all its neighbours during the period of "confrontation" with Malaysia in the early 1960s.

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THE other nations of South-East Asia all have concerns about their internal and external security. This is especially so because of the disengagement of American military forces in the early 1970s, the perceived security threat posed by Chinese and/or North Vietnamese sponsored subversion and insurgency, and the growing power of the Soviet Union in the Indian Ocean. Singapore, for example, has latent fears about being crushed in an Indonesian/Malaysian "nutcracker" because it is a Chinese-populated island squeezed between two ethnic Malay neighbours. Thailand is concerned about Chinese pressure on its northern border and Vietnamese support for insurgents in the North-East. The Philippines worries about Indonesian support of its Muslim minority in the southern islands, and Burma is constantly harassed by rebel forces operating along its long border with China. The presence of British and Commonwealth forces in Singapore, and American forces in South Vietnam and Thailand during the 1960s, gave these small nations some confidence that they would not be overwhelmed by their neighbours; but with the withdrawal of both the British and the Americans in the early 1970s, an unease has returned to the region and has not been dissipated by Malaysia's proposals for a zone of neutrality in South-East Asia. Many intelligent South-East Asians do not consider neutrality a realistic alternative to co-operation with a great Power at this point in time.

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AUSTRALIA like Indonesia, straddles both the Indian and Pacific Oceans and in recent years has come to see its national interests tied much more closely to Asia than to either Europe or North America. Since the fall of Sukarno in 1966, Australia has not felt its defence interests threatened from any quarter. In respect of economic interests, Australia's number one export customer is Japan, with the United States second. Australia's world order interests in Asia were closely linked with those of the United States from 1950 until about 1970, and it sent 8,000 troops to Vietnam to help prevent an expansion of Chinese influence southward. Australia has also participated in a Commonwealth military presence in Singapore and Malaysia, to help maintain the security of this highly strategic area; but the current Labour Government seems less interested than its predecessor in keeping a small force in the Malacca Straits area and there is even some possibility that Canberra may move toward an isolationist foreign policy while maintaining the ANZUS defence link to the United States. Thus far, Australia does not believe the Soviet naval expansion in the Indian Ocean to be a threat to its own interests and has cautioned against a Soviet-American rivalry there. However, this could change if several South-East Asian countries should accept the Brezhnev proposal for a security pact. This is particularly so if Indonesia should ever revert to the opportunistic policies of Sukarno and begin to exert pressure southward.

THE UNITED STATES has no vital defence interests in Asia except the maintenance of a strategic balance of power with the Soviet Union and China. The defence of North America depends on ensuring that neither the Soviet Union nor China (or any other Power for that matter) is permitted to intimidate its neighbours by threatening the use of nuclear weapons. The Nixon Doctrine thus states that the United States is prepared to protect Asian countries against nuclear blackmail. This is because such blackmail might be employed against US territory if it proved to be a successful tactic against one of America's allies. Japan and West Germany are obvious examples.

Similarly, the United States probably has no deep economic interests in Asia, although Japan may be the exception because of the very large trade and investment carried on between the two countries. The United States has important economic interests in several other Asian countries (for example, Indonesia and Australia) but South-East Asia has been a net drain on US resources for 20 years.

It is in the area of world order interests that the United States has a vital stake because it values highly the preservation of a favourable balance of power in Asia. Washington has gone to war three times in the past 30 years to uphold that interest, although in the case of Vietnam there was no national consensus that it was necessary to send half a million American forces to fight there. The final withdrawal of these forces in 1973 indicated that the Nixon Administration had downgraded America's interests there. On the other hand, the United States continues to be concerned about the future political orientation of Japan, and of South-East Asia as a whole; and it also values the ANZUS treaty relationship with Australia and New Zealand, on the southern flank of Asia. Balance of power factors make East Asia a continuing, important interest of the United States and account for its willingness to maintain a military presence there, albeit at a lower level than in the 1960s.

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IN light of these perceptions of national interests in South-East Asia held by the major Powers, what conclusions may be drawn about great future Power relationships in this region and about the prospects for peace there?

The first and most important conclusion to be drawn is that any future struggle for power and influence in Asia will be between the two Communist giants - China and the Soviet Union. They are the only major Powers with vital defence interests at stake. The implications for China's situation are clear: it must quickly build a credible nuclear deterrent to prevent a Soviet conventional attack across its borders; and China must also maintain tight internal security to prevent the Soviet Union from exploiting dissidence and gaining a decisive influence in Chinese politics. China also must cultivate new friends who have sufficient power and prestige to deter the Soviet Union from launching a major military attack. For the Soviet Union, the implications of the situation are also clear: if China cannot be intimidated militarily, it must be contained politically and economically so that it wll not pose a threat to the USSR in the future, even though China acquires a credible nuclear capability. To contain China, the Soviet Union hopes to build a *cordon sanitaire* around it, starting in South Asia and running through South-East Asia and, eventually, to Korea and Japan. A political encirclement of China will take time, at least to the end of this decade and probably into the 1980s; but a start has already been made in South Asia with the 1971 friendship treaty between Moscow and New Delhi. The next phase is the Soviet effort to achieve naval pre-eminence in the Indian Ocean and then to use this position to exert political influence in South-East Asia, particularly in the nations bordering the Indian Ocean - Burma, Malaysia, Singapore and Indonesia.

The second conclusion to be drawn is that both Japan and the United States have vital world order interests in preventing either China or the Soviet Union from achieving a dominant position over the political life of South-East Asia. This being so, neither Tokyo nor Washington has the option of waiting on the sidelines to see what develops. It is in both nations' interest to maintain balance of power in Asia by aiding the weaker side in any future struggle, and in the 1970s China is clearly weaker than the Soviet Union in both military power and economic strength. These facts were appreciated by President Nixon and Dr. Kissinger when they began probing Peking's intentions in 1969 and 1970; but what was unclear then, and is not entirely clear now, is whether China's future leadership will be prepared to subordinate ideological in-

terests to obtain US support for Peking's long-range contest with the Soviet Union.

The third conclusion is that South-East Asia may well become a political battleground once again, this time in a Sino-Soviet struggle for power in Asia, and that China, Japan and the United States all have an important stake in ensuring that this key area does not come under the political influence of the Soviet Union as it pushes eastward from the Indian Ocean during the next decade to build a new Asian security system. The key to what happens in South-East Asia is Indonesia; and it is very important to the United States, Japan and China that Djakarta be brought into some working arrangement whereby its views are heard and its interests are taken into account. It also implies continued good relationships with Australia, which has close ties with Japan, Indonesia, and the United States, and has begun a new relationship with the People's Republic of China.

What is suggested here is a five-power relationship among China, Japan, Indonesia, Australia — four Asian States — with the United States joining them, so as to balance the growing naval power and influence of the Soviet Union in the Indian Ocean, supported by India. The assumption made here is that in the final analysis, these five nations have convergent national interests in Asia, namely, the prevention of political domination of the area by any one of the great Powers. Following American disengagement from the mainland of South-East Asia and China's tacit co-operation in dampening down the war in Indo-China, the only great Power confrontation remaining in Asia is that between China and the Soviet Union. If China is willing to subordinate its ideological struggle against the non-Communist States of Asia, Peking may well find that these States will be willing to support its efforts to resist Soviet expansion beyond the Indian Ocean. The successful visit to Peking of the Malaysian Prime Minister, Tun Abdul Razak, in May-June 1974 was a move in that direction.

A final conclusion to be drawn is that none of these efforts to establish a new balance of power in Asia - to replace the American pre-eminence of the past 20 years - is possible without the continued involvement of the United States with some military forces, but primarily with political and economic participation in supporting the weak Asian States. Many South-East Asian leaders question whether the United States is willing to continue a significant role there in the future, because of the serious internal problems facing it. The Nixon Doctrine was interpreted in some quarters as a face-saving formula for an American withdrawal from responsibility in South-East Asia, and some Asian leaders are not reconciled to American *detente* with Peking because they find it difficult to believe that China is more concerned about its own defence than in fostering revolutions in their countries. However, as China's situation becomes clearer and the Soviet Union's intentions, as espoused in Brezhnev's security proposals, are understood, there probably will be greater appreciation of the need for co-operation among the East Asian nations to counter Soviet pressures.

President Nixon and Dr. Kissinger stated on numerous occasions that the new relationship between China and the United States is not directed against any other Power. If the Soviet Union is not bent on containment of China and is willing to work out a *modus vivendi* with Peking, then it should be possible to establish a different balance of power in Asia, one in which the United States could play a lesser role. But so long as the Soviet Union continues a major expansion of its military power and is determined to confront China politically at every turn, then the other Powers in Asia will have to look to their own interests and find ways to limit the growing Soviet influence.

In the end, *detente* may founder on the rock of Soviet determination to bend China to Moscow's will and establish a Soviet hegemony in Asia. If that should prove to be the case, the United States will undoubtedly resist this soviet design. President Ford declared in a Press conference in August 1974 that he favoured the expansion of US naval facilities on Diego Garcia in the Indian Ocean. Despite some Congressional opposition, it is likely that the US Navy will be more involved in this area in the future, and this should give reassurance to those nations which fear that the United States is prepared to abandon South and South-East Asia to others. In effect, the new Ford Administration seems prepared to assert a major US national interest in the Indian Ocean area and to stay involved in East Asia indefinitely.

LAW OF THE SEA: *The Third United Nations Law of the Sea Conference, held in Caracas from 20 June to 29 August 1974, ended with no treaty but with a clearer understanding among the 150 participating nations of what can be negotiated and what cannot. Substantive negotiations are scheduled for March-May at a second session in Geneva and it is anticipated that delegates will return to the Venezuelan capital for the signing of an international treaty later in 1975.*

South - East Asia and the Caracas Conference

George G. Thomson

THE THIRD United Nations Law of the Sea Conference was held in Caracas, Venezuela from 20 June to 29 August, 1974 under the chairmanship of Ambassador S. Amerasinghe, the Head of the Sri Lanka delegation to the United Nations. Over 2,000 delegates from 149 nations, 29 of them land-locked, attended the Conference. It was therefore, to adapt Professor McLuhan's vivid phrase, the Village Council of the World Village called to discuss the World's "Village Pond". In spite of Press allegations that like the first Great conference of the modern world (the Congress of Vienna called to determine the shape of post-Napoleonic Europe) its ten weeks earned the head-line of "Congress Dances". It was a hard-working Conference in both its plenary sessions, and in its three Committees which discussed international development of the open seas, straits and territorial waters, and research and pollution.

The criticism that it reached no conclusions arises from a gross misunderstanding of the immensity and complexity of its task. Its membership was larger than that of the United Nations. Its problems were global, literally of universal concern. It was not a post-war conference to heal the ravages of war; it was a conference to resolve the growing tensions of peace which could explode into war. It aimed to define by persuasion the permanent guide-lines of the future and forestall a power scramble for the seas and their resources similar to the 19th century power-scramble for the land and its resources. It aimed to adjust the politics and economics of the world to the development of a new technological cornucopia, and was therefore breaking new ground and established new precedents for other cornucopias which technology might in future fill. Mankind was facing its man-made future.

The Conference met in terms of equality between rich and poor, strong and weak, developed, developing, and barely developing, sea-open and land-locked, without Great Power vetoes or the inner power circle of a Security Council. In spite of its title it was not primarily concerned with the Law of the Sea in lawyers' terms, but in Parliamentary terms debated the morality and the modernity of the existing law. In the words of the leader of the Colombian delegation, it was concerned with justice rather than with law. It was conceived in the same climate, and with the purpose of relieving the same tensions, as the UN session to debate the distribution of the resources of the world, the UN Population Conference, or the UN attempt to set guide-lines to harness the Multi-National Corporations. It was not primarily concerned with the old world, but with defining a new world and staking more egalitarian claims within it. The controversy during its early days on the admission of the PLO and on the voting procedure reflected this political, forward-looking, resource-distributive climate. And resources were not only associated with enrichment by wealth but with survival by food. While the concurrent use of one raw material, oil, as a fulcrum of political power demonstrat-

ed how to change the balance of economic power drastically and dramatically. It was in the same frame of mind that the UN Committee on decolonisation had discussed the revolutionary changes in the Portuguese African territories in terms of "the right to regain natural resources".

With such an agenda, with such diverse and basic national interests and global interests at stake, and with the need for virtually general agreement if the world was not to be divided into jangling juxtapositions of jurisdiction a definitive treaty draft was not to be expected. And may well not be reached by the resumed conference in Geneva in 1975. But the areas of agreement and the divides of disagreement have been defined and the implications of insolubility clearly displayed. The issues cannot again be brushed under the carpet; and the ultimate question is the proportion which the final solution will contain of narrow national interests, and of the international idealism of Ambassador Arvin Pardo's seminal phrase of "the common heritage of mankind" which he launched in his UN Speech in 1967 (1).

The historic significance of the Conference is that it focussed the attention of every government, and of the public through the media, on the sea and the new era of the Ocean which has opened for human history. The sea can never again be the diminished dimension of men's thinking. It also displayed the detail of the revolutionary sea-change in the sea. No longer a waste-land of transit; it has become a resource-land of wealth. It is an era of food swimming, and minerals held dissolved, in the sea; of metals and perhaps aquatic agriculture on the sea-bed; and as the earth is of the same composition under the sea as under the land, of the resources of fuel and raw materials, with mining operations already taking place 6,000 feet under the sea surface. In extracting that wealth, modern technology, in the world of the "Limits to Growth" described by the Club of Rome, is moving with astronaut speed, changing the economic balance of resources in the world, and opening up new areas, either of national confrontation or international co-operation. The sea may yet become an area of human residence and urban development. In short the sea-shore is becoming a dividing line between two parallel media of human growth, and the sea is no longer an area of division and deficiency. This is already the philosophy of the two archipelagic states of South-East Asia, the Republics of Indonesia and the Philippines, for whom the sea is an integral and contributive part of their living-space, shaping their culture and enriching their economy. The Indonesian word with the same comprehensive emotive over-tones as the word "motherland" in the English language is "tanah-air" which literally means "land-sea."

Meanwhile the traditional transit role of the sea is developing with the new explosion of marine technology. The Very Large Cargo Carriers (VLCC) with tankers of a million tons already on the drawing board; the development of containerisation and palletisation in their many forms; the future development of the hover-craft above, yet cushioned by the sea; and the cargo-carrying submarine moving faster and more smoothly, and perhaps no less massively under the surface of the sea than the surface ship are all examples.

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THIS is the new expanding frontier of strategy, diplomacy and economics in which peninsular and insular South-East Asia is in the front line, and to which it must adjust its current concepts and for which it must frame its future policies (2). The maritime geography of the area continues to set the stage and the stage directions of the nations of South-East Asia, singly and collectively in ASEAN.

And recent events lengthen the maritime agenda of South-East Asian affairs. Thailand in addition to Indonesia and Malaysia has now struck off-shore oil, and the Philippines and South Vietnam are pushing their explorations. The conflicting claims of the two Vietnams, the Philippines and China to the Spratley Islands, which like the Paracels are situated athwart the main shipping channel of the South China Seas and have good oil prospects, create national conflicts and suggest regional solutions. A new diplomatic aspect is opened up by the North Vietnamese denial of any Chinese claim. Again, the dispute over Taiwanese fishing operations in the Molucca Straits; the detention of 14 Taiwan fishing vessels by the Indonesian Navy; and the detention of an international marine research vessel based on Singapore, illustrate the difficulties of defining and enforcing maritime boundaries about which nations are becoming as sensitive as about territorial bound-

aries. The sea resources are only beginning to be surveyed. The Eastern maritime areas of Indonesia for example contain not only large tuna resources, but also a great concentration on the sea bed of the manganese nodules which also contain copper, nickel, and cobalt. The waters are proving as resourceful as the land of South-East Asia (3).

No issue was raised at the Caracas Conference which is not of relevance to South-East Asia. As the nations of South-East Asia fall within the category of "developing", they accepted in principle, though with qualifications in application, the general consensus which emerged from the Conference. They agreed that maritime research should be carried out for the general good, though with sure security safeguards. They supported a strong executive form rather than a loose licensing role for the international organisation which would be responsible for the exploration for, and the exploitation of, the resources of the seas beyond national maritime boundaries. They supported the extension of full territorial sovereignty to the 12-mile limit, ending the present antiquated and untenable 3-mile limit, although this will eliminate, by absorption, international waters and the relevant rights, in 115 straits where international waters will overlap. In the comparatively confined sea-spaces of South-East Asia the proposal of an exclusive economic zone, 200 miles in width, and beyond to the edge of the continental shelf, loomed less large in the regional discussion. All accepted it, with exceptions to accommodate and assure their national interests. Malaysia made no qualification. Thailand on the other hand asked for compensation for those nations which did not have that width of sea off their coasts; and as its fishermen fare far in search of fish it drew a distinction between the sea-bed and sub-soil resources which should be under the exclusive control of the coastal state, and the living resources, such as fish, which should be shared equitably with neighbouring states.

The three issues of major concern to South-East Asian states were the navigation of Straits, particularly the Straits of Malacca, whose international waters would be absorbed by the 12-mile territorial limit and which is the busiest strait in Asian waters and the one of greatest interest to the great maritime powers, military and merchant. The second issue was the recognition and the extent of the rights of archipelagic states; a matter of regional concern, but on account of the focal position of South-East Asia, also of international concern. The third issue was the rights of geographically disadvantaged states such as Singapore, disadvantaged because of the extended maritime rights, of their geographical position as land-locked or shelf-locked, and because of the extended rights of neighbouring states, and yet entitled to derive advantage from the new concept of the sea as the "common heritage of mankind".

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THE ISSUE of the navigation of straits arises in general from the extension of sovereign rights to a 12-mile wide zone which will eliminate international waters, and the rights relevant to them, in 115 straits in the world. In South-East Asia this predominantly and presently affects the Straits of Malacca through which sail 150 ships, mainly oil-tankers of high tonnage, each day, an average of one every ten minutes. To call them international Straits begs the question. They are international in usage and will continue to be so; but the issue is whether that usage creates a special status or gives special rights to international users. Past usage in an imperial setting cannot dictate or create future rights in an international setting. The question must be treated as an open question *ab initio* on the basis of national rights, voluntarily adjusted to international convenience, rather than on the basis of international rights adjusted to national interests or sensitivities. The political principle must precede the legal definition.

The basic conflict over the navigation of straits is between the coastal states who claim the full rights of sovereignty over their extended territorial waters, even in straits between open stretches of the high seas, and the great maritime powers, whether their greatness is measured in terms of military or merchant navy, who demand "unimpeded" transit for their ships i.e. that the rights of national sovereignty of the coastal states should be waived. Mr John Moore, the deputy leader of the US delegation to the Caracas Conference emphasised "the central importance that we attach to a satisfactory regime of unimpeded transit through and over straits used for international navigation." The reasons for this policy or for the implied distrust of the coastal states were not set out. And, again, the use of the word "international" ob-

scures the fact that a few nations are asking for an extension of their national rights to override those of the coastal states. The fact and the legitimacy of the concern of the coastal states for security, traffic regulation, and protection against pollution were recognised. The nub is the first, for no one would insist on a right to pollute or a right to damage and be damaged, on the high seas or in straits. Yet the right to transit on the high seas is demanded for the straits, in principle, though limited in practise to the right of transit only, and by the offer of a specific treaty requirement to "refrain from any threat or use of force in violation of the Charter of the United Nations against the territorial integrity or political independence" of the coastal state, an agreement to be assumed in peace and to be ignored in war.

The leader of the Russian delegation argued to the same end that "as such straits are the key parts of the world's sealanes...the interests of international communications require the *ensurance* of passage through straits used for international navigation and linking the high seas." This is based on an "existing common law rule", and would be of interest to those who have no fleet to-day, but plan to have one in future. He specified the danger that "the rights of coastal states recognised under international law could assume completely new characteristics...and put navigation in direct dependence on unilateral action by coastal states."

The leader of the delegation of the UK which controls 10 per cent of the world's shipping and 98 per cent of whose trade by weight is seaborne, argued that the fulfilment of Britain's obligations to other countries required that ships and aircraft should be able to move "freely, safely and expeditiously through and over straits," and sought freedom from "arbitrary interference by coastal states." The French delegation argued that there was an over-riding right of free transit which did not depend on the decisions of the coastal state. Ambassador M. Ogiso speaking for Japan, "a maritime nation heavily dependent on sea-borne trade," urged rules which would "ensure the freedom of navigation to the fullest extent." China in contrast in spite of the rapidly growing size of its mercantile marine, supported the rights of the coastal states to regulate the use of straits in relation to their security and interests. Generally then, the Conference set out a collision course on rights rather than a conciliation course of convenience.

Yet over the rights of commercial vessels which are the daily concern of the great majority, there is not only no essential dispute; but all the South-East Asian nations depend, and know that they depend, on ocean-going and, therefore, straits-navigating, ships for their economic survival. The leader of the Indonesian delegation, Professor Kusumaatmadja, told the Conference that Indonesian interest in trade made it imperative for her to ensure the smooth, speedy and safe passage of all merchant ships, under whatever flag, through its waters. Indonesia, he said, was prepared to sign a convention guaranteeing normal commercial navigation and accepting the right of innocent passage. This general commercial interest was however quite distinct from the interest of a few countries in naval ships for military purposes. Tan Sri Abdul Kadir who presented the Malaysian case said that commercial shipping was innocent by its very nature and always enjoyed unhindered passage, yet the coastal states were being cast in the role of the "bad boys" seeking to hinder international shipping. Commercial interests, he argued, should not be used as a screen for military interests. This raised the very different question asked by Professor Mochtar, leader of the Indonesian delegation; "If warships and submarines of foreign contending powers have the fullest freedom in navigating through our waters, what would happen not only to our national security, but also to the aspirations of the South-East Asian nations to establish a Zone of Peace, Freedom, and Neutrality in their area?" The basic question recurs; Does the sea dissolve sovereignty? Why if no one would demand a land corridor of unimpeded transit, can such a demand be made for a sea corridor?

Again, there is no controversy in principle over the need to prevent pollution and accidents in straits where many ships of many countries, and of large and potentially dangerous cargoes, converge. The situation which Tan Sri Abdul Kadir describes of a Straits of Malacca "becoming one of the world's dirty maritime backlanes" and of his country as being "daily washed by vessel-pollution all around us", is not tolerable. But there is need for difficult negotiations on the standards to be set; their enforcement; the payment of compensation; on the cost of the surveying of a constantly changing seabed, and of the

construction and maintenance of aids to navigation. Is the responsibility to lie with the flag-states or the coastal-states or the shipping organisations, or by all three in specified spheres? There is substance in Tan Sri Abdul Kadir's comment that the use of the Straits of Malacca is discussed in the interests of the international community; but when it comes to maintenance and cleaning-up, the problems are left entirely to the coastal states. The costs of shipping are rising but it would be false economy to economise on measures against pollution and accidents.

The delegation of Singapore, which has the greatest interest in the volume of navigation in the Straits of Malacca, saw the issues as matters of language rather than of substance. It argued that agreement could be reached on a right of unimpeded passage for commercial vessels, subject to conformity with regulations on safety and pollution, with the presumption that any such passage was peaceful and non-objectionable. A parallel solution could be found for military vessels, and at least in the Straits of Malacca which cannot be navigated by submarines under water, that particular difficulty could not arise.

To an article contributed to the Japanese Quarterly "Pacific Community" in 1972, on the Straits of Malacca, I gave the title, "Who has the Last Word?" The question raises issues of sovereignty, dignity, and morality, as tangled a trinity of tenets as could be. It is a political issue; for it is the politician who demands rights; it is the lawyer who defines them. If, however, the question is defined as one of creating the greatest convenience for the greatest number, interests converge in contrast to the rights which diverge. Again, commercial interests converge while military interests diverge. There could be an immediate area of agreement on the commercial use of the straits; but with the confrontation of naval power in the Indian Ocean, set against the climate of the declared wish of countries in the Indian Ocean and South-East Asia for neutral status, their means of forcing detente on the super-powers — the demand for the unimpeded movement of naval vessels is uncongenial. Commercial rights can be separated from military rights; and, in the short run, it seems, must be; for half a law of the sea is better than none.

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OF SPECIAL regional importance is the archipelagic principle asserted by the Republics of Indonesia and the Philippines at the Conference, and first demanded by the Philippines in 1955 and by Indonesia in 1957. They claim that state boundaries should be defined by straight baselines drawn between the outermost land points of the archipelago, and that within these boundaries all waters should be territorial waters under the full sovereignty of the State. This is an inherently logical claim for nations of islanders who see the sea as an embracing link and not as an alienating barrier. Control of their waters is as essential as control of their lands, to their national unity and territorial integrity. President Suharto raised the issue during his recent visit to Singapore, and according to the text of the joint communique, he "emphasised the importance of the archipelago principle to the concept of national resilience, particularly in order to maintain national unity and cohesion, political stability, economic progress and national security." This is broad politics and not narrow legalism. Within these archipelagic waters, foreign ships will have the right of innocent passage which the lawyers define as a passage which is "not prejudicial to the peace, good order, and security of the coastal state." Again, however, the Indonesian delegation insisted that a "distinction between military and non-military vessels is essential." And while they had no "intention of preventing the passage of warships, provided the territorial integrity of the archipelago state is fully recognised and as long as such passage does not endanger our security", the institution of special sea-lanes for military ships was being considered.

The Indonesian delegation recognised the problem of the traditional interests in transit and fishing by neighbouring states once the archipelagic principle is recognised. These it would discuss bilaterally with its neighbours, though Singapore which faces an arc of archipelago of 220 degrees and is especially concerned, would prefer that the rights should be written into the international treaty. Most directly affected by the principle is Malaysia whose Western and Eastern parts are separated by what Tan Sri Abdul Kadir called the "cruel accident of geography" of the Natuna Islands which bring the Indonesian archipelagic claims up to a line of latitude running approximately from Brunei to Kuala Trengganu. Negotiations have begun to find a solution which

Malaysia would hope to have endorsed by the Conference.

The problem of fishing rights is more urgent, and no less intractable for it concerns immediate survival rather then prospective wealth. Most affected in the world is Japan, 45 per cent of whose fishing areas fall within the newly defined economic zones of other countries, though mainly in the North Pacific. Thailand's acceptance of the archipelagic principle would depend on a guarantee of "reasonable access" to the high sea, and access to the traditional fishing area. For not only is fishing a major source of food, and a major form of employment, but they must go beyond territorial waters and into areas where they can ply their primitive technology in waters of neighbouring states. They do not have the capacity, the finance or the technology for deep-sea fishing. They therefore asked their neighbours to agree to an "equitable sharing" of the living resources, i.e. the fish of their waters, reminding the Conference that limitations of access to extended territorial seas could harm developing as well as developed nation-states. In the light of Chinese interest in the Spratley Islands, and India's claim for archipelagic rights for the Andaman and Nicobar Islands, Indonesia and the Philippines denied the application of their archipelagic claims to island chains attached to a mainland state, and limited it to archipelagoes which were also separate states, and the majority of whose area was sea rather than land.

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SINGAPORE established the category of "developing geographically disadvantaged states" such as Laos which is land-locked or Singapore itself which has no physical capacity for establishing a national economic zone, and yet have their title to their share of the collective wealth of the world's seas. Regional or sub-regional economic zones would have been preferred, but, in default Singapore would only accept the principle of an economic zone if the right of equal access to the living resources of countries "immediately adjacent or opposite to" the disadvantaged state. While details or modalities could be regionally or bilaterally negotiated, the basic right should be as fully guaranteed by treaty as the rights of the Economic Zone. Singapore also would seek to establish the principle of revenue-sharing by the disadvantaged states of the non-renewable resources of the Economic Zone.

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ALTHOUGH the Caracas Conference has not yet finished and cannot be judged by its conclusions, it could be damned in advance by unrealistic expectations. It is not trying to tie up the wounds of a destructive past, but to establish agreed guidelines for change in the midst of the most rapid political and technological change which the world in its global sense, has ever gone through. Unlike the Treaty of Berlin of 1878 which set the boundaries for colonial possessions in Africa, it is parceling out rights to unoccupied yet wealthy sea-space in a pattern of justice with the flexibility of change, and not in a pattern of power in an already established balance. There can be no final solutions; only agreed procedures and purposes. And as the geography and economics of the oceans loom larger in world politics as it focuses on the Pacific basin as the "Mediterranean of the Future", the lands and islands of South-East Asia become of greater interest to the great and growing powers of to-day and to-morrow, and its own maritime dimension increasingly determines and shapes its regional wealth and power, and its intraregional relationships. South-East Asia is being warned.

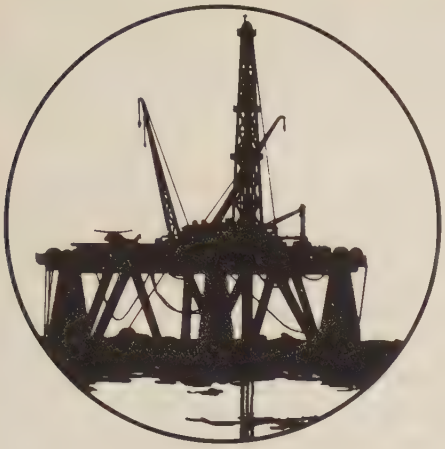
Notes and References

1 There is an interesting parallel in the thinking of the English Levellers in Cromwell's England. Their leader Gerrard Winstanley described the land as a "Common Storehouse for all" and argued against enclosures. The following extract from his writing might have come out of the Caracas Conference if 'nation' is substituted for 'man' "The poorest man hath as true a title and as just a right to the land as the richest man, and undeniably the earth ought to be a common treasury of livelihood for all without respecting persons" Winstanley: **The Law of Freedom:** (Pelican Classics — edited by Christopher Hill)

2 The extent to which the political, economic and cultural history has been shaped by the international impacts and intra-regional relationships dependent on the sea was developed by Professor Thompson in his article "Seeing South-East Asia from the Sea" published in South-East Asian SPECTRUM Volume 2 Number 2, January 1974.

3 Professor Sumitro Djojohadikusomo, Indonesia's Minister of State for Research, said in a speech reproduced in **Malaysian Business,** November 1974; "There is no doubt that the waters and the seas of ASEAN countries represent a very considerable natural resource. The Indonesians seas for example occupy an area 3.5. times that of our land area. Their organic productivity per unit is roughly comparable. Up to the present, the organic productivity of the water areas of ASEAN countries has only partly been explored."

OIL DIPLOMACY — *The Japanese reaction in the 1973-74 oil crisis was to pursue an independent diplomatic policy vis-a-vis the Arab nations and to dispatch special envoys on a series of urgent foreign missions. In this article the author examines Japan's "resource diplomacy," its well-known economic vulnerabilities and makes some tentative findings on the effects of the oil crisis on its future policies and attitudes.*



The Economic, Politicial and Strategic Implications of Japan's Search for Oil

Yuan-li Wu

DURING the remainder of the 1970's, countries in South-East Asia and the Far East will have to reevaluate their external - and internal - policies as a result of changes in certain principal parameters. Some of these changes are of relatively recent origin while others have been evolving for quite some time. Among the changing parameters, to mention just a few, are the military disengagement of the United States from the Indochina war and the generally expected continuing reduction of American military presence from mainland Asia; a high degree of uncertainty surrounding future US capabilities and intentions in the area, especially *vis-a-vis* Soviet and, to a lesser extent, People's Republic of China (PRC) capabilities and intentions; the much earlier British decision to withdraw from east of the Suez; the capability and intentions of Japan and its likely future economic and defense role in the area; and the changing underlying conditions of the demand and supply of essential raw materials reflecting the new attitudes and policies of certain producing countries. Because of these continuing changes and large uncertainties, most countries in South-East Asia and the Far East must reexamine their own viability, especially in terms of the likely speed of economic development and the means they have available to put an end to internal insurgency where it exists. Past policies for the purpose of promoting economic development and political stability must now be veassessedin the light of changing conditions concerning the source and magnitude of foreign economic and military aid, as well as of foreign intervention in behalf of insurgency.

Within this context, the purpose of this paper is to examine the impact of the 1973-74 oil crisis on the future role of Japan in South-East Asia and the Far East. Specifically, we wish to examine the well-known economic vulnerabilities of Japan which the oil crisis again highlighted, as well as the trend of recent Japanese policy designed to ameliorate, if not really to overcome, the country's difficulties, and, finally, the style of Japanese external behavior. In particular, we wish to point to certain factors that others must consider in evaluating Japan's future policies and attitudes. The reader should be forewarned that there are no pat answers offered and that the findings presented are tentative.*

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TO begin with, let us review some of the major events that punctuated the oil crisis and the evolution of Japanese policy.

*This paper contains some tentative findings of a continuing study. The author wishes to acknowledge his appreciation for the support of the Earhart Foundation, as well as the assistance of the Hoover Institution, which has made this preliminary work possible.

On 19 October 1973, envoys from ten Arab nations called at the Japanese Foreign Office and requested Japan's support for their nations' position in the Middle Eastern war. The then Foreign Minister, Masayoshi Ohira, expressing his hope for an early settlement of the war, stated that Japan would continue to uphold Resolution 242 of the U.N. Security Council which was passed in 1967 and called for the withdrawal of Israeli forces from occupied territories of that earlier war. A week later, Vice Foreign Minister Hogen reconfirmed this attitude in a note to the ambassador of Saudi Arabia as representative of the Arab envoys. The note reaffirmed Japan's opposition to territorial acquisition by force, as well as strong support for the UN resolution on Israeli withdrawal.

Arab political pressure began in earnest on 17 October when the six largest Persian Gulf oil producing countries announced a major increase in crude oil price. (1) The Organization of Arab Petroleum Exporting Countries (OAPEC) members also stated that, starting from October, they would reduce oil production by 5 percent each month, until the withdrawal of Israeli forces from occupied Arab territories were completed and "the legal rights of the Palesinian people" restored. The final deadline for Israeli withdrawal was set at 1 May 1975. (2)

More direct pressure was exerted on Japan when the Saudi Arabian government ordered the Japanese-owned Arabian Oil Company to cut its crude oil production by ten percent from the average level of September 1973. The company was to hold production at the lower level until the end of November and would be advised later of future steps to be taken after 1December. (3)

Almost simultaneously, Japanese refineries were notified by British Petroleum, EXXON, and Gulf that crude deliveries to them would be reduced. Shell, Mobile, and Caltex were reportedly expected to act in a similar fashion. (4) The refineries, in turn, then advised their clients that supplies of petroleum products would be cut back because of reduced crude deliveries. (5)

The Arabian Oil Company reportedly was taken by surprise since the OAPEC countries had indicated their willingness to give favorable consideration to friendly nations. The Japanese had simply assumed that Japan would be regarded as a "friendly country." Apparently, the first round of Japan's diplomatic gestures was deemed insufficient by the Arab states. Since the major target of Arab policy was the United States, the tactic was to generate enough diplomatic pressure on the United States from America's allies. Japan, like some other US allies, was singularly vulnerable to such pressure and could not, therefore, be let off too easily.

The desired effect came soon in November. On 6 November a statement by the Chief Secretary of the Cabinet, Susumu Nikaido, reiterated the previous Foreign Office position. A week later, on 14 November, Prime Minister Kakuei Tanaka reportedly told the visiting US Secretary of State that Japan would have to pursue an independent diplomatic policy *vis-a-vis* the Arab nations. A second statement issued by Nikaido on 22 November then made the following points: (A) Israel should withdraw from the territories it had occupied since the 1967 six-day war. (B) Japan subscribed to the position that the right of self-determination of the Palestinians should be a precondition of a peaceful solution in the Middle East. (C) The Japanese government would reconsider its policy toward Israel in the event of the latter's refusal to accept these preconditions. Five days after this statement, the Arab nations announced at their Algerian meeting that restrictions on oil shipments to Japan and the EEC countries (except the Netherlands) would henceforth be put on the same footing. Thus, the first stage of Japan's diplomatic adjustments was completed within about a month.

The second round of Japan's "resource diplomacy," which overlapped with the first, consisted of a series of foreign tours by special Japanese envoys, including the Prime Minister and other high officials. From 10 to 28 December, the Deputy Prime Minister, Takeo Miki, toured seven Arab countries - Saudi Arabia, Egypt, Abu Dhabi, Kuwait, Qatar, Syria, and Iraq - as well as Iran. A week after the New Year, Prime Minister Tanaka went to the Philippines, Thailand, Singapore, Malaysia, and Indonesia, all members of ASEAN. The trip lasted from 7 to 17 January and was punctuated by riots and demonstrations against Japan in both Thailand and Indonesia. During the same period, 7 to 14 January, the well-traveled Mr. Miki went to the United States, presumably to seek American understanding of Japan's quandary. In the meantime, Yasuhiro Nakasone, Minister for International Trade and Industry (MITI), visited

Iran, Iraq, the United Kingdom, and Bulgaria from 7 to 18 January. Finally, the Arab countries that were missed by Miki and Nakasone saw Zentaro Kosaka, former Director General of the Economic Planning Agency and one-time Foreign Minister. Kosaka's itinerary included Morocco, Algeria, Tunisia, Libya, Jordan, The Sudan, Lebanon, and Yemen, and lasted from 15 January to 2 February. All these visits were intended to convey Japan's goodwill to the Arab states, to pave the way for securing future energy supplies from both Arab and non-Arab countries, and, in the case of Miki's trip to Washington, to explore the US position and to convey Japan's new position and policies. Thus, three months after the onset of the October crisis, Japan had laid the new course of its external policy. The focus was on oil and the supply of resources for the Japanese economy.

On the domestic scene, the Ministry of International Trade and Industry maintained during most of October that there would be no need to control energy consumption. By 16 November, however, when Japan was informing the United States Secretary of State of its energy woes, a set of "principles of countermeasures" in the oil emergency was approved by the cabinet. Simultaneously, measures for saving oil and power in government offices were introduced and an "energy-saving movement" was initiated. All these measures were to be coordinated and enforced by a special headquarters for the promotion of the emergency countermeasures directly under the prime minister. Three days later, an administrative guidance was issued on the principles of saving oil and power in the private sector. On 30 November, an Oil Supply-Demand Adjustment Bill was approved by the Cabinet, along with a National Livelihood Stabilization Emergency Measures Bill. The last two measures were passed by the Diet on 25 December. On the same day, the OAPEC countries officially included Japan among the nations friendly to the Arabs.

As a part of the basic principles of countermeasures outlined on 16 November, private car use was to be curbed voluntarily; there was to be a ten percent reduction of the use of oil and electric power by business corporations during December; a five-day week was to be promoted to save energy; gas stations were to be voluntarily closed on holidays. The administrative guidance for the private sector issued on 19 November repeated the same general ideas. In addition, industrial users in such industries as iron and steel, automobile manufacturing, heavy machinery, electric appliances, petroleum, chemicals, automobile tires, synthetic fibers, aluminum and other non-ferrous metal refining, cement, sheet glass, and paper and pulp were urged strongly to save oil. The Oil Supply-Demand Adjustment Bill, approved by the Cabinet on 30 November, gave the government power to allocate and ration petroleum products and to restrict their use in the event of a really serious shortage. The accompanying National Livelihood Stabilization Emergency Measures Bill was intended to give the government emergency powers to control demand and supply and commodity prices.

Japanese policy to reduce energy consumption was progressively tightened during November and December of 1973. On 16 November, when the initial energy saving program went into effect, the government called for a voluntary ten percent cutback of oil and power consumption through the end of the year. In mid-December, the government's plan was to increase the reduction to twenty percent beginning in January 1974. However, with the designation of Japan by OAPEC as a "friendly nation" on 25 December, the government decided on 11 January, 1974, to raise the cutback of both oil and power, beginning from 16 January, to a maximum of fifteen percent only. Then, on 1 March the controls that had been in force since 16 January were again relaxed. On the basis of a decision dated 26 February, 1974, a five-percentage-point relaxation was ordered for certain industries, e.g. foodstuffs, textiles, paper and pulp, chemicals, iron and steel, metals and machinery products. For certain industries this relaxation lowers the rate of oil reduction from thirteen to eight percent and power reduction from fifteen to ten percent. For industries producing detergents for household use, dairy and paper products the previous reduction which had set consumption at five percent below the level of the corresponding month of 1973, or at no more than the previous year's level, was removed. (6) This series of gradual relaxation culminated in the announcement by Nakasone at the end of August 1974 that Japan's energy emergency was finally over.

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THE events described above present a picture of nearly frantic response on the part

of the Japanese government to the threat of Arab oil producing countries, especially during the first two months of the ten-month "emergency" period. Subsequently, the gradual relaxation of controls, beginning already with the government's decision in January to reduce the extent of further control, would seem to suggest on the surface that the emergency was met rather successfully. At this point, however, one question that can be raised quite legitimately is the extent of the reduction in oil supply to Japan originally intended by the exporting countries. A related question is the magnitude of the actual change in supply.

However, the most fundamental issue has to do with the nature and form of the threat, whether realized or potential, posed by the crisis. The principal forms the threat can take as revealed by the crisis are: a possible cutback of supply at source; cutback or diversion of supply by the international companies that ship oil to Japan; price increase and its direct and indirect effect on Japan's balance of trade and international payments. These threats point to the vulnerability of the Japanese economy to severe external pressure and are superimposed upon Japan's well-known dependence on the maintenance of freedom of transit on the high seas. The last is a form of threat which has traditionally preoccupied Japan's national security planners. The oil crisis, by highlighting the first three forms of threat, has served to move Japan to an energetic search for long-term countermeasures. Let us examine these issues one by one.

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DURING the 1972 fiscal year (7) Japan imported 246 million kiloliters of crude oil from all sources. (8) During FY 1973, according to MITI's forecast of March 1973, a total crude oil import of 283 million kiloliters was envisaged. (9) This was an anticipated increase of 15 per cent over the preceding year.

This picture was completely shattered during the oil crisis. On 12 November, 1973, at the height of the Arab threat, Eimei Yamashita, permanent Vice Minister of MITI, told a press conference(10) that the forthcoming oil shortage was likely to wipe out any expected GNP growth during the first quarter of the 1974 calendar year. It would also reduce GNP growth to 4-5 percent for the entire 1974 fiscal year, which would then fall below the 5.1 percent of 1965, a year of "recession." Following the Yamashita statement, a revised forecast of crude oil import in the second half of fiscal 1973 was released in early December 1973. It put the estimated total crude import in fiscal 1973 at only 259 million kiloliters, as against the 283 million kl forecast of March 1973. (11)

In actual fact, however, crude oil import in fiscal 1973 turned out to be at least 289 million kiloliters - 145.5 million in the first half and 143.4 million in the second half. (12) While there was a reduction of 8.7 million kl during the second half of fiscal 1973 in comparison with the March 1973 estimate, the result for the entire period of the most serious threat of reductions was an increase of 15 million kl, or more than 11.5 percent above the revised forecast (259 million kl) of December 1973. Total crude import in fiscal 1973 was, therefore, actually 17.4 percent above the 1972 level. (13) This annual rate of increase exceeded the corresponding rates of increase of the two preceding years, and the absolute volume of increment of about 40 million kl was an historical high. Even during the first three months of 1974, i.e., the last quarter of fiscal 1973, the actual result fell only 1.8 percent below the level envisaged by MITI and was 3.9 percent above the first three months of 1973.

Furthermore, on the basis of the estimated crude oil import of 24.6 million kl for FY 1972 and 289 million kl for FY 1973, import from the Arab countries as a whole increased by 29.7 percent while corresponding imports from the non-Arab countries increased by only 9.2 percent. (14) The largest Arab source of supply to Japan in FY 1973 was Saudi Arabia, whose envoy had led the Arab *demarche* in October 1973.

It is only natural to ask whether the fact that oil supply was not really curtailed in any absolute sense meant that Japan's frantic response to the Arab threat and the ostensible shift of its US-oriented foreign policy were a key to this apparent success. A somewhat different question may also be posed; namely, whether some, if not all, of the Arab countries really intended to curtail their supply to Japan. If the latter was the case, one might then inquire why the Japanese authorities did not wish to risk calling the Arab bluff and whether they gave serious

thought to the possibility that the threat was indeed a bluff.

During 1973, the Middle East as a whole exported 932.5 million tons of crude oil and 56.5 million tons of distillates. Of the total export of 989 million tons, nearly 22 percent went to Japan.(15) Looking back with the benefit of hindsight, one can argue that in the long run, the Arab oil exporters probably never intended to curtail sales to Japan significantly, except that a credible threat of reduction was a necessary condition of both a large increase of the supply price and the establishment of a diplomatic framework to bring indirect pressure on the United States. What kind of pressure the Arab countries believed Japan could, in fact, exert on the United States may be open to question. The long-term economic effect of a price increase was more real to some of the oil exporting countries than the diplomatic threat earnestly desired by only a few countries that were not even large oil exporters. The credibility of the diplomatic threat was predicated upon the psychological reaction and behavior of the countries threatened, and this desired effect was attained in the case of Japan. (16)

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JAPAN, of course, had every reason to be more than a little disturbed about the potential effect of a cutback of its oil supply from abroad. Here are some basic realities that should be considered. First, crude oil supply, including primarily imports and a very small domestic production, had become an increasingly important source of Japan's total energy supply, rising from a mere 11.4 percent in 1953 to 33.6 percent in 1960, 50.2 percent in 1965, and 62.4 percent in 1970.17 A MITI estimate places the ratio of petroleum (crude and imported distillates) in total energy supply at 73.5 percent in FY 1971. (18) As its GNP grew, Japan's demand for crude oil and petroleum products increased rapidly. From 1960 to 1971 Japan's GNP at constant 1965 prices rose from 20.3 trillion yen to 61.2 trillion. During the same period, Japan's demand for crude oil rose from 33.1 million kl to 221.3 million. (19) The much faster growth of crude oil demand reflected shifts toward oil from other energy sources as a result of changes in technology and the commodity composition of demand. The last factor included increasing shifts toward oil-using producer goods, such as synthetic fibres, chemical fertilizers, and consumer goods, such as gasoline for the private automobile. If we take the decade of the 1960s, measure the rates of increase of the GNP at constant prices and crude oil demand, and then divide the latter ratio by the former, we would obtain the percentage rate of increase of demand for crude oil for each one percent change in GNP at constant price. This "elasticity of demand" for crude oil fluctuated considerably during the eleven year period (1961 through 1971); the lowest was 1.1 in 1968 while the higher was 3.1 in 1962. The latest (1971) figure is 1.4 which also occurred in two previous years (1967 and 1969). Since domestic production and change in stock both tend to be negligible, crude oil demand and supply, for all practical purposes, can be treated as identical in magnitude with crude oil import. Therefore, if we use the 1.4 figure as a rough indicator, we can regard a 1.4 percent decrease in oil import as sufficient to bring about a one percent decrease in GNP (20) abstracting from major efforts to reduce oil-using technology and the demand for oil-consuming products.

During FY 1973 the Arab countries jointly accounted for about 47 percent of Japan's total crude oil import. Its complete stoppage could, therefore, entail a greater than one-third decline of the GNP. This hypothetical situation was, of course, most unlikely to occur, not only because of possible amelioration of the impact by countermeasures on Japan's part, but also because of the economic effect of such a drastic cutback on the oil producing countries themselves. However, even a five percent cut could have a small effect on Japan's GNP, and the psychological impact was enhanced by the promised continuation of progressively additional cuts month after month.

The potential difficulty of adjustment to an oil cutback was increased for Japan by virtue of the composition of its domestic oil demand for both crude oil and petroleum products which are primarily produced at home. As of FY 1971, 48.2 percent of Japan's total energy demand came from the mining and manufacturing industries. The power industry accounted for another 6.8 percent; transport, 12.9 percent; agriculture and fishing, 2.3 percent. If we add to these the demand for "energy resources" used as raw materials for non-energy purposes, which was responsible for 11 percent of total energy demand,

only 18.8 percent of the total energy demand went to personal consumption.(21)Within the personal consumption sector petroleum and its products accounted for 49.4 percent of total energy used. (22) All this implies that it would be impossible to meet a sizable curtailment of oil import without a direct and immediate cutback of industrial production, public utilities, and transportation. A five percent cutback of the supply of oil and distillates would be tantamount to a 3.5 percent decrease in total energy supply. If this deficiency were to be met out of personal consumption alone, personal uses of oil and petroleum products would have to be reduced by nearly 20 percent. Restraint of personal consumption would not achieve the degree of adjustment required by any sizable shortfall of oil supply.

These are, of course, the underlying reasons for the utter seriousness with which Japan had to treat the potential oil shortage even though its frenetic diplomatic behavior seemed to go beyond the demand of even these economic realities.

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ALTHOUGH the Arab threat to cut severely into Japan's oil supply was not carried out, it did thrust into the consciousness of the public, in a most forceful manner, the state of utter dependence of the country's economy on the uninterrupted supply of energy and other resources from overseas. After all, what did not happen in 1973-74 could have happened and might happen at some future date. Moreover, the threat to future economic growth is even more serious inasmuch as neither the public nor the government in Japan would be satisfied with zero growth. Some acceptance of the need to reduce expectations about future growth, however, is manifested in the downward revision of certain planning targets. A few figures will suffice to demonstrate this change.

As can be seen from Table 1, the long-term target growth rate of Japan's GNP for the 1973-85 period was lowered, as of June 1974, to 6-8 percent a year from the 8.5-9.5 percent range envisaged for 1976-85 four years earlier.23 (The actual rate averaged 10.7 percent a year in FY 1962-72). The post-energy crisis forecast also lowered that of total energy supply in 1985 from 933.3 - 1,028.9 million kiloliters of oil equivalent to 727-915 million kiloliters.24 The proportion of imported crude oil and petroleum products was lowered from the 67.2-68.5 percent forecast to 64.6 - 61.4 percent. The latter ratio would have been set higher but for an increase in the amount of imported liquid natural gas forecast. On the other hand, it would have been lower but for a slowdown in the establishment of Japan's nuclear power plants. (25) The dependence for total energy supply on imported oil or liquified natural gas in another ten years serves only to reemphasize the importance of assuring external supply.

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A BASIC principle in minimizing the risk of interruption of supply at its source is diversification, to be achieved by reducing the relative shares of the larger single suppliers or groups of suppliers. In grouping the suppliers, geography, as well as their potential for coordinated action on political, ideological, or economic grounds must be considered.

In this connection, by FY 1973, there had already been a steady decline in the relative share of the Middle East in Japan's crude oil import from 90.7 percent in FY 1968 to 77.3 percent. Geographically, we can use the Malacca Straits as a significant dividing point both because of the long tanker trip to Japan across the Indian Ocean from the Persian Gulf or Africa, which has significant economic and military implications, and because of their narrow passageway that Japan has a vital interest to keep open. Combining the Middle Eastern exporters with those of Africa (mainly Nigeria) as suppliers west of the Malacca Straits, the relative importance of the latter had also fallen from 90.7 percent in FY 1968 to 80.2 percent in FY 1973. (See Table 2).

On the other hand, suppliers east of the Malacca Straits more than doubled their shares in Japan's total crude oil import during FY 1968-73. Indonesia's share rose from 8.2 percent in FY 1968 to 14.3 percent in the first two months of FY 1974. Including Brunei and Australia, the total share of Japan's southern suppliers rose from 8.3 percent in FY 1968 to 18.6 percent in FY 1973.

During FY 1968, the Soviet Union supplied one-half of one percent of Japan's crude oil im-

port. The same relative position was maintained in FY 1973. In the latter year, however, another six-tenths of one percent of crude import was provided by mainland China from its Ta-ch'ing field. The two communist countries supplied a total of 1.1 percent of Japan's oil import in FY 1973, and 1.2 percent in the first two months of FY 1974.

If the South-East Asian and the Soviet and mainland Chinese supplies are lumped together, the total share of suppliers from east of the Malacca Straits stood at 19.7 percent in FY 1973, already close to one-fifth. Obviously, it is in Japan's interest to increase the shares of supply from countries east of the Malacca Straits and from other sources than those of the Middle East and Africa, from the point of view of transport requirements. The new sources that should be tapped would seem to fall in Indonesia and the known South-East Asian suppliers; Australia; offshore oil in Asia, especially near Japan; Asia's communist countries; and the Americas, e.g., Alaska.

Alternatively, we can look at the distribution of the sources of Japanese crude oil import by countries according to their political alignment. (See Table 3). In this respect, the relative importance of all Arab exporting countries fell from 52.5 percent of Japan's total oil import in FY 1968 to 46.9 percent in FY 1973. Within the group of Arab countries, however, the relative importance of Saudi Arabia remained more or less constant at 19.6 percent in FY 1968 and 19.9 percent in FY 1973, while that of Abu Dhabi rose from 3.4 percent (FY 1968) to 10.1 percent (FY 1973). The rest of the Arab oil suppliers, however, exhibited a consistently downward trend during this period, with the exception of Libya. Their total share declined from 29.4 percent in FY 1968 to 16.9 percent in FY 1973. (26)

The most significant relative decline in the share of Japan's oil import during FY 1968-73 occurred in the case of Iran, and the trend appears to have continued in FY 1974 in the first quarter. In FY 1968 Iran accounted for 38.2 percent of Japan's total crude oil import. This ratio fell to 30.9 percent in FY 1973, and it was as low as 24.1 percent in the first two months of FY 1974.

On the other hand, the share of Indonesia and Malaysia rose substantially during this period, from 8.3 percent in FY 1968 to 18 percent and over.

Finally, both the communist countries and the American oil exporters have consistently accounted for a very small, albeit rising, proportion of Japan's import. As mentioned before, in FY 1968, the Soviet Union accounted for one-half of one percent of Japan's total crude oil import. In FY 1973, the PRC accounted for six-tenths of one percent, rising to 1.2 percent in the first months of FY 1974. The share of Venezuela, accounting for four-tenths of one percent in FY 1968, fell to two-tenths of one percent in FY 1973; it then rose to 1.1 percent in the first two months of FY 1974. It remains to be seen whether the share of Venezuela is in fact rising.

In FY 1968, Iran, accounting for 38.2 percent of Japan's total oil import, was Japan's most important source of oil. The next largest source at that time was Saudi Arabia, accounting for 19.6 percent. In FY 1973, the share of Iran had fallen to 30.9 percent and that of Saudi Arabia had remained at 19.9 percent. There appears to have been a deliberate policy of reducing the share of the largest single source of import to the neighborhood of 20 - 25 percent. The latter figure is, of course, an arbitrary one selected for purpose of illustration and is useful only as a hypothetical yardstick in analysis.

The increasing importance of Saudi Arabia and Abu Dhabi relative to other Arab sources, even during and immediately after the energy crisis, might be explained on several grounds. One of these is the somewhat different political attitude of Saudi Arabia in the alignment of Arab states. In the case of Abu Dhabi, Japan's effort to increase direct access to oil, by-passing the major international oil companies, may be another important reason. The desire of certain members of the OAPEC to put more weight on the economic value of the oil crisis as an occasion to increase revenue by raising the price of oil than on its political intent also plays a part in the divergence of attitude between two groups of Arab oil producers. One detects also more than a hint of the usual behavior of members of a cartel each wishing to restrict total supply by reducing the production of others. However, to the extent that Arab unity may again be underestimated by Japan, to that extent the growing importance of Saudi Arabia and Abu Dhabi in

Japan's oil import could boomerang on Japan. Nevertheless, as will become clear later, Japan's desire to become more independent of the major international oil companies could continue to pull Japanese policy in the present direction.

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IN spite of the uncertainties, certain safe conclusions can be drawn on diversification from the point of view of both geography and political and economic factors. First, an increase in the supply of oil - and other energy resources - from the PRC and/or the Soviet Union would seem to be in Japan's interest. Both Soviet and Chinese sources could substantially shorten the transportation route, especially if Soviet supply can come from Siberia. Any undesirability of over-dependence on either or both communist suppliers is not a matter of great concern to Japan today. The combined share of the two communist countries now accounts for only slightly over one percent of Japan's oil import. Since Japan's total oil import in FY 1985, according to the forecast of July 1974, may be between 500 and 600 million kiloliters, even if the two communist countries were to increase their supply ten-fold during the next decade, their combined total would still amount to no more than five to six percent of the total import. Thus, from the point of view of diversification, there is no inordinate risk to Japan if more oil is imported from the Soviet Union and Communist China. (27) In the case of the PRC, import of more oil in exchange of petro-chemicals has been bruited. This may lead to a net increase in crude oil supply. Since mainland, China an import-surplus country *vis-a-vis* Japan, may not be able or willing otherwise to purchase the petro-chemicals from Japan, export of the latter may not in any sense replace an increase in export that would come about otherwise.

Furthermore, for the purpose of diversification it is obviously in Japan's interest to increase supplies from Venezuela and other American sources, especially the United States. Japanese desire to reduce dependence on the international oil companies may militate against large purchases from US sources. However, that too is not a matter of immediate concern, because Japan now derives only a negligible amount of oil from the United States.

The above considerations that have underlined Japanese policy serves to explain some of Tokyo's recent external activities. Under Prime Minister Tanaka, Japan has exhibited a strong desire for *rapprochement* with Peking. Sale of oil exploration equipment to the PRC, a greater supply of oil from the Chinese Ta-ch'ing Field, and possibilities of helping the Chinese in developing their offshore deposits, thus perhaps assuring Japan of a future share from a source close to home, have all played an important part in Japan's China policy since 1972. (28)

In the case of the Soviet Union, Japan has already entered into agreement with the Russians for the development of natural gas. A similar agreement for the development of Tyumen oil has been stalled thus far, primarily because of the large size of the project which has tended to inhibit Japanese investors. At least until recently, the latter have exhibited a desire for US participation as a means of ameliorating their own perception of risk to invest in Soviet Siberia. The Tyumen project, when completed, promises to provide Japan with 25 to 40 million metric tons of crude a year. How much this oil flow would actually amount to is a matter for speculation. However, the import of Soviet natural gas would increase somewhat the Soviet Union's share in Japan's total energy import.

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AS a means of implementing its policy of diversification, additional investment in offshore exploration and in establishing Japanese access to, if not control of, foreign oil resources has become increasingly important. This is accomplished partly by dealing directly with the oil-producing countries and their agencies for the direct import of oil that these countries control through royalty receipts out of the total production of the major international companies from their concessions. A second method goes a step further. It takes the form of direct participation by Japan, primarily through Japanese corporations, in the joint exploration and development of deposits, leading to the direct import by Japan of a significant portion of the output. Both the "direct deal" oil of the first category and the production of "joint ventures" of the second category are intended to provide sources of supply that will be assured over a number of years. The attractiveness of this longer term assurance, together with the different degrees of willingness of individual oil producing coun-

tries to welcome Japanese capital and technology, as well as their size, bargaining power, and experience as viewed by Japan, plays an important part in Japan's selection of the geographical location of these investments. However, one suspects that the range of choice open to Japan is not always very wide. As can be seen from Table 4, the Middle East as a whole, and especially Abu Dhabi and Saudi Arabia, seem to have attracted 56 percent, 22 percent, and 11 percent respectively of Japanese capital in foreign oil ventures. Other countries have, however, become increasingly important, especially in the more recent years. In FY 1961 oil import from sources under Japanese control from overseas development programs figured for the first time in the country's oil import, amounting to 3.8 percent of the total. This ratio reached a peak of 14.3 percent in FY 1963 but declined steadily thereafter as a result of the even faster growth of total oil import. By FY 1972 the ratio of Japanese controlled oil import to total oil import has declined to 8.5 percent. (29)

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IN FY 1973, total oil import from sources under Japanese control plus oil purchased under "direct deal" arrangements, amounted to about fourteen percent of the country's aggregate oil import. (30 This implies that 86 percent of Japan's oil import must continue to be purchased through the international oil companies. Hence, Japan's dependence on a few countries and geographical areas as sources of oil supply is matched, if not exceeded, by dependence on the major international oil companies which are, of course, still primarily Western. In the longer run, if the oil-producing countries succeed in maintaining or even augmenting their large foreign exchange income, it is not inconceivable for them to acquire a progressively larger share of the stock ownership, on a consolidated basis, of individual international major oil companies, thus converting Japan's "institutional dependence" again to dependence on specific nations and geographical areas. One way of reducing Japan's dependence on oil supply from west of the Malacca Straits is to increase the amount of oil available east of the Straits that could be more quickly drawn upon if a cutback by Middle Eastern suppliers or others West of the Straits is again threatened. This could be done by developing large storage facilities in localities east of the Straits. The same purpose could be served by bringing oil from the Middle East, for example, to refineries and other processing plants in various Asian localities. Japan does not have to hold these products in its domestic inventory if a large inventory can be made available in places nearer to Japan than the Middle East. It appears that such a policy has already been pursued by Japan, for instance, in Indonesia.

A complementary factor that would be supportive of the above approach is the expansion of Japan's tanker fleet and its activity, first, in shipping oil and petroleum products to Japan and, secondarily, in engaging in oil distribution in South-East Asia. As of April 1973, the Japanese tanker fleet totaled 172 vessels aggregating 21.87 million DWT's. (31) Of this total tonnage 47.3 percent consisted of oil tankers of over 200,000 tons each. During 1972, Japanese vessels accounted for 58.3 percent of Japan's crude oil import, 27.6 percent of fuel oil import, and 32.3 percent of imported naphtha. The overall "lifting" ratio of Japanese vessels in the oil trade was 56 percent, and Japanese policy is to raise this ratio. Increasing use of Japanese tankers would have the advantage of reducing the foreign exchange cost of oil transportation to Japan. During 1972, for instance, the difference between CIF and FOB cost of Japan's imported crude oil was about 45 cents per barrel. (32) Unfortunately for Japan, this saving of foreign exchange outlay will be dwarfed by the large increase of the basic FOB cost of imported oil.

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WHILE Japan's resource diplomacy may have succeeded in breaking the threatened oil embargo and in moderating the immediate supply problem—and one may even question whether the OAPEC members ever intended to carry out their threat—certain economic problems remained. In the first place, according to the Japanese Ministry of Finance, Japan's crude oil import in FY 1973 amounted to $8.6 billion or about twice that of FY 1972. Since the increase in quantity was proportionately much less, the large foreign exchange expenditures on oil came from price increase. "If the crude oil price had been fixed at the fiscal year 1972 levels ($2.6 per barrel)," wrote the Japanese Institute of Energy Economics, "the deficit in Japan's commodity trade balance would have dropped by about $4,000 million and limited to $1,200 million... The average per

barrel quotation, for example, rose from $3 in October, 1973 to $4 in November, to $9.90 in February, 1974 and further to $10.50 in March. The average per barrel quotation of crude oil for the entire fiscal year 1973 ran up to $4.75 or nearly double the level in the preceding fiscal year." (33)

If we take the average crude oil price (CIF) in the 1972 calendar year as base (-100), the price index of September 1973, the pre-crisis months, was 113.7. The index then rose slightly to 119.0 in October. Beginning in November 1973, the rate of increase accelerated rapidly. The index rose to 143.9 in November and 182.1 in December, 1973; it then became 227.9 in January, 381.5 in February, 390.9 in March, 395.6 in April, and 411.1 in May 1974. The largest increase took place during January—February 1974, the last phase of the 1973 fiscal year. Again using the 1972 calendar year average price as 100, the CIF price index of imported naphtha rose to 152.3 in September 1973, 238.4 in December 1973, 442.2 in February 1974, and 514.0 in May 1974. The price index of imported fuel oil stood, in May 1974 (average of 1972 calendar year-100), at 338.1 for fuel oil A, 414.5 for fuel oil B, and 408.4 for fuel oil C. (34) Total FY 1974 crude oil import has been estimated at $15 billion, equal to 34.3 percent of total imports forecast. (35)

Since there is no indication that crude oil and imported petroleum products will decline in price rapidly and soon, the problem in terms of external payments may loom even larger than that of assuring supply at source and in transit. Means must be found to pay for current oil import and investments for the development of overseas oil resources that could assure future supply. Some overseas investments, though not directly related to oil exploration and production, may nevertheless be a part of larger agreements designed to assure future oil supply from certain countries, or to help create a political environment conducive to the assurance of supply. For instance, during Miki's visit to Egypt, he promised $280 million of Japanese credit for both the first and second stages of a project to dredge and widen the Suez Canal, reportedly covering 70 percent of the estimated total cost. (36) Miki also agreed with Saudi Arabia on a possible economic and technological cooperation arrangement for the construction of chemical, oil-refining, steel, and copper-mining plants in the Arab country. During Tanaka's South-East Asian visit, Japan promised Malaysia a third yen loan amounting to $100 million. Indonesia was promised a $200 million loan for the development of liquid natural gas in North Sumatra and East Kalimantan, as well as all-out Japanese support to Indonesia's Asahan power project for aluminum refining and the construction of oil storage facilities on Lombok. Nakasone, in turn, extended $1 billion of credit to Iran for the construction of a 500,000 barrel-a-day joint Japanese-Iranian refinery, as well as another billion dollars of credit to Iraq for the construction of a 200,000 barrel-a-day joint refinery and an LPG plant with an annual capacity of 1.8 million tons. In addition, Nakasone reportedly also extended to Iraq $350 million in credit for a petro-chemical complex and $150 million for a cement plant. The *quid-pro-quo* of these Japanese offers was Iraq's agreement to supply a total of 160 million tons of crude oil, LPG, and other products during a ten-year period, beginning from 1974. The cumulative amount of oil and LPG to be supplied could be boosted to 200 million tons. Other Japanese pledges to still other countries included those made by Kosaka to Algeria—$40 million of credit for refinery construction, oil and gas exploration, a new communications network and industrial development—$10 million of credit to Morocco and Jordan for a communications network, and $10 million to Sudan for a fertilizer plant. One Japanese estimate has put the total amount of credits thus pledged in Japan's resource diplomacy in the critical winter of 1973-74 at $3.3 billion. (37) Purposeful diversification among Arab states may be expected by Japan to reduce their future cohesiveness as cartel members in dealing with Japan and to take advantage of any fallingout of the members for other reasons.

Clearly all these promises of investment and aid must be paid for either through direct export of Japanese machinery and technological services, or in terms of foreign currency which must then be earned through general export to all countries. Therefore, if a large increase in export is already needed to defray the higher cost of current import of oil and its products, an even larger increase in export will be needed to cover these direct and indirect investments for the assurance of oil imports, must therefore be earned from wherever Japanese businessmen can find markets.

A third alternative method to offset these ex-

ternal payments is to open up Japan to investment by oil-producing countries. However, if Japan has not always been willing to welcome foreign capital for direct investment in all the segments of the Japanese economy, one can question the extent to which Arab oil money would be welcomed unconditionally, assuming that the oil exporting countries are themselves willing to invest in Japan, over and above any loans they may extend.

The attempt to acquire oil under the "direct deal" arrangement may or may not be very helpful in lowering the cost of imported oil. For instance, in May 1973, an agreement was reached between Saudi Arabia and several Japanese companies to purchase 52,800 barrels of oil a day during 1974-75. The unit price as of January 1974 reportedly was to be $10.835 per barrel for Arabian light, $10.699 for Arabian medium, and $10.606 for Arabian heavy crude. (38) The average price in March 1950, as mentioned earlier, was $10.50 per barrel. According to the Japan Petroleum Weekly, (39) certain Japanese importers contracted to purchase, during early 1974, Iranian light crude at $17.04 a barrel and Iranian heavy crude at $16.04 a barrel, both FOB. (The previous price quotations are all on a CIF basis). Other high prices have also been reported in connection with crude from Oman and Nigeria. One suspects that some of these excessivly high prices were a result of overzealous bidding on the part of Japanese trading companies, in some cases possibly against one another.

It may be that oil from deposits developed with Japanese capital and technical aid will command lower prices. How large such a potentially beneficial development will be remains to be seen. Much will depend upon the relationship between Japan and the oil-producing countries where Japanese investments are being increased. A basic issue is the interaction between Japanese investors and the local authorities and population, including local entrepreneurs. Still another factor is the interaction of Japanese investors with other foreign business interests in the oil-producing countries. The possibility of conflict of interests involving Japanese, local, and third country businesses and governments because of Japan's effort to develop future oil supplies must be added to the possibility of similar conflicts that stem from Japan's need to increase its export in world markets. These difficulties are likely to be all the larger if Japan is unwilling to welcome the inflow of oil money to the home islands for direct investment purposes or is unable to attract such an inflow. Paradoxically, Japan's hope to attain independence in oil supply may require the successful achievement of long-term interdependence with both the oil-producing countries and the industrialized West in whose markets Japanese exports must compete and whose products will in turn compete with Japanese goods in the oil-producing countries.

Finally, these potential sources of conflict are further complicated by conflicts arising from incompatible claims to offshore deposits on the part of various countries and their granting of concessions to domestic, as well as international, companies for exploration and drilling. A good example of these potential conflicts involves the offshore deposits around Korea, Japan, Taiwan, mainland China, and Vietnam.

* * * * *

SEVERAL preliminary conclusions can be drawn at this stage on the basis of our necessarily sketchy account of Japan's oil policy.

First, Japan is in no position to provoke its Middle Eastern oil suppliers as a whole. The same is true in the case of certain individual suppliers, such as Saudi Arabia, Iran and Kuwait. Consequently, in the foreseeable future, Japan is likely to go along with those policies that these countries really insist upon. This relationship, therefore, raises the question of Japan's foreign policy stand if some or all of the important OAPEC countries should come under the influence of one of the major powers in the latter's own dispute.

Secondly, an important aspect of Japan's policy to diversify oil supply is to increase imports from both the Soviet Union and the PRC. The role of oil is augmented by that of natural gas in the case of the Soviet Union. While these increasing imports will remain during the next few years still too small to put Japan under the direct pressure of the two communist powers on this account, it is again important that Japan does not provoke them. This is especially true of the Soviet Union as a result of the following factor.

In the third place, Japan's continued and increasing dependence on oil import has always meant that the security of the sea routes to Japan must be assured and that any foreign power capable of disrupting these routes will possess a strong leverage over Japan. In view of Soviet naval expansion, the importance of maintaining Soviet goodwill to Japan can hardly be denied. The importance of Peking in this respect is much less and will remain so in the foreseeable future unless Communist Chinese influence can be exercised more effectively down the Malaysian Peninsula and/or in the Taiwan Straits. This traditional Japanese fear about its sea lanes is also of function of the scale of future American naval presence in the area and the political will of Washington in the eyes of Japan, the regional powers, and the communist states.

In the fourth place, if the optimistic forecasters turn out to be correct and no serious internal or external threats develop in the area, Japan's oil development policy will be able to play an important role in the economic development of South-East Asia, especially Indonesia, and adjacent areas. But there is a very important proviso. That is, Japanese interests must dovetail with local interests, and Japanese competition with third parties, either in the region or elsewhere, must not create economic and other conflicts serious enough to exacerbate wider relations. The establishment with Japanese aid of a refinery outside Japan could be interpreted, for instance, as a step to further local economic development. Without sufficient safeguard, however, the same measure could be interpreted as an attempt to export pollution. Will local authorities and populations in countries where Japanese capital will increase actually welcome Japanese investments? All of these questions are yet unanswered and serious uncertainties abound.

Finally, to the extent Japan is successful in developing more oil resources closer to her own shores, Japan will also need to expand its military defense capability in its "home waters." On the one hand, this rasies the question of how far the Japanese home fleet should extend its activities. This is a matter of no little concern to Japan's immediate neighbors and countries in South-East Asia. Their reaction could be either positive or negative depending upon their evaluation of Japanese intentions. On the other hand, it is most unlikely that any expansion of Japan's defensive power can be carried out if strenuous objection were voiced by one of the major powers close to Japan.

Japanese diplomacy during the oil crisis demonstrated both Japanese alertness and lack of confidence. Over-alertness could become over-nervousness. Since the author is not an expert of Japanese history and culture, no attempt will be made to predict Japanese behavior in a future crisis. Yet available indications are that Japan is more likely to pursue a policy of armed neutrality in the future in the name of a foreign policy befitting a truly independent sovereign nation. What this implies in terms of existing alliances needs to be carefully evaluated by all interested parties.

Appendix

TABLE 1. Long-term Expectations for the 1985 Fiscal Year

Annual	As of July 1970 1976-1985	As of June 1974 1973-1985
GNP growth rate (in percent)	8.5-9.5	6-8
Total energy supply in oil equivalent (million kiloliters)	933.3-1,028.9	727-915
Percent distribution		
1. Hydro-power	2.5-2.3	3.4-3.2
2. Geothermal power	-	0.3-1.1
3. Nuclear power	9.9-9.1	10.3-11.4
4. Coal		
Domestic	2.2-2.0	1.9-1.5
Import	14.5-14.7	11.0-9.4
Total	16.7-16.8*	12.9-10.9
Subtotal of 1-4	29.1-28.2	26.9-26.6
5. Domestic oil and natural gas**	2.3 2.0	1.9 3.1
6. Imported petroleum (crude oil and products)	67.2 68.5	64.6 61.4
7. Imported liquid natural gas (LNG)	1.4 1.3	6.6 8.9
Grand Total	100.0 100.0	100.0 100.0
Import (million kl)		
Crude oil	649.6 723.4	
Petroleum products (11)	56.2 63.5	500 - 600
LPG (million tons)	6.7 8.2	

Source: The Energy Advisory Council (MITI), July 1974
*Components do not add up to total due to rounding
**Derived as a remainder

TABLE 2. Sources of Japan's Crude Oil Import in Percent (I)

	FY 1968	FY 1972	FY 1973	FY 1974
Middle East	90.7	80.7	77.3	77.5
Africa	-	2.4	2.8	3.3
Total West of Malacca Straits	90.7	83.1	80.2	80.6
Indonesia and Malaysia	8.3	16.4	18.6	17.8
Mainland Asia (the PRC and the Soviet Union)	0.5	0.2	1.1	1.2
The America's	0.5	0.3	0.2	0.1
TOTAL	100.0	100.0	100.0	100.0

Source: (1) MITI, Japan's Energy Problem, FY 1974 Table 2-4, p. 104.
(2) Japan Petroleum Weekly, Supplement, April 1974, pp. 9-10.

TABLE 3. Sources of Japan's Crude Oil Import in Percent (II)

All Arab Countries	FY 1968	FY 1972	FY 1973	FY 1974
Saudia Arabia	19.6	16.7	19.9	22.2
Abu Dhabi	3.5	5.9	10.1	11.1
Subtotal	23.1	22.6	33.5	33.3
Kuwait	11.7	8.9	8.2	10.5
Neutral Zone	13.1	8.3	5.2	5.4
Iraq	0.8	0.1	0.3	0.9
Libya	-	0.2	0.5	2.5
Egypt	0.3	-	-	-
Oman, Qatar, Bahrain, Algeria, etc.	3.5	3.5	2.7	3.3
Subtotal	29.4	21.0	16.9	22.6
TOTAL	52.5	43.6	46.9	55.9
Iran	38.2	37.3	30.9	24.1
Indonesia	8.2	13.7	...	14.3
Brunei	0.1	2.7	...	...
Malaysia	...	...	...	3.4
	8.3	16.4	18.6	17.7
USSR	0.5	0.2	0.5	...
PRC	-	-	0.6	1.2
	0.5	0.2	1.1	1.2
Venezuela	0.4	0.2	0.2	1.1
Other	0.1	2.3	2.3	-
GRAND TOTAL	100.0	100.0	100.0	100.0

Source: "Energy Data," Energy August 1974 Tokyo (in Japanese) p. 94.

TABLE 4. Japanese Overseas Petroleum Investment

Area	Percent
Middle East	56
Southeast Asia and Oceania	24
Africa	6
Americas	14
Total	100

Country	Percent
Abu Dhabi	22
Indonesia	15
Saudi Arabia	11
Egypt	8
Qatar	7
U.S.A.	6
Thailand	6
Iran	5
Nigeria	5
All others	15
Total	100

Sources: (1) Japan Petroleum Weekly, Volume 9, No. 10, March 11, 1974, pp. 4-5.
(2) The Petroleum Industry in Japan, 1973, Tokyo, Japanese National Committee of World Petroleum Congresses, pp. 7-11.
(3) Japan's Energy Problem, (MITI, Tokyo, December 1973), p. 107.

Notes and References

1. The announcement listed a 17 per cent increase in price. However, the increase for standard light Arabian crude from $3.011 to $3.65 a barrel was nearly 21 per cent. Associated Press Report from Kuwait, *The Daily Yomiuri*, (Tokyo, 1973).
2. Associated Press Report from Kuwait, *The Daily Yomiuri*, 19 October 1973.
3. The company's average daily output in September was 420,000 barrels of crude. *The Daily Yomiuri*, 25 October 1973.
4. *The Daily Yomiuri*, 26 October 1973.
5. Such a notice was, for instance, issued by the Maruzen Oil Company, one of the country's major refineries that supply oil to Tokyo, Kansai, and Chubu power plants. However, Maruzen indicated that its supply cutback took place initially in low sulphur oil from Indonesia which was supplied by the Union Oil Company. *Ibid.*
6. The closing of service stations on Sundays and holidays was continued but neon lights and electrical advertising signs consuming less than 10 kilowatts of electricity were now allocated from six to nine in the evening. For additional details of the controls during the successive stages see *Japan Petroleum Weekly*, (Japan Petroleum Consultants, Ltd., Tokyo) Volume 9, No. 2, 14 January 1974, and Volume 9, No. 8, 25 February 1974.
7. The Japanese fiscal year extends from April of the given year through March of the following year. Hence, fiscal 1972 ranges from April 1972 through 31 March 1973.
8. See *Japan's Energy Problem* (in Japanese), MITI, Tokyo, December 1973. Table 2-4, p. 104, Also *Japan Petroleum Weekly*, Tokyo, Volume 9, No. 11, 18 March 1974, p. 2.
9. *Japan Petroleum Weekly*, Volume 9, No. 11, 18 March 1974, p. 2. A set of figures credited to the Energy Advisory Council and dated July 1974 give 249.2 million kiloliters of crude oil import for FY 1972 and 289.7 million for FY 1973. Both are supposed to be actual imports.
10. See *Energy in Japan*, published by the Institute of Energy Economics, Tokyo, Quarterly Report No. 23, December 1973.
11. The March 1973 forecast indicated a total of 130.6 million kiloliters for the first half of fiscal 1973 and 152.1 million kiloliters for the second half, making a total of 282.7 million kiloliters for the whole year. *Japan Petroleum Weekly*, million Volume 9, No. 11 18 March 1974, p. 1.
12. For a slightly higher total reported in July 1974, see footnote 9.
13. On the basis of the higher 1972 and 1973 figures of the Energy Advisory Council (of footnote 9), crude import in FY 1973 was 16.2 per cent above the FY 1972 level and 11.8 per cent above the December 1973 revised estimate for FY 1973.
14. See *Japan Petroleum Weekly*, 18 March 1974, p. 2.
15. *British Petroleum Statistical Review of the World Oil Industry*, 1973.
16. Since this paper deals with Japan, we have not discussed the response patterns of other countries also threatened by the oil boycott.
17. Derived from data given in *Japan's Energy Problem*, MITI, December 1973, Table 1-1, pp. 83-89. The percent figures are computed in terms of "oil equivalent" units. In addition, imported petroleum products accounted for another 6.3 percent of total energy supply in 1953, 4.1 percent in 1960, 8.2 percent in 1965, and 8.4 percent in 1970.
18. *Ibid.* This was also cited in the *Petroleum Industry in Japan*, the Japanese Petroleum Committee of the World Petroleum Congresses, Tokyo, 1973, Table 1-1, p. 3.
19. The crude oil demand figures used here are derived from total crude oil supply (domestic production plus import) less change in stock and statistical discrepancy. cf. *Japan's Energy Problem*, MITTI , 1973, p. 100. The GNP estimates are from the Economic Planning Agency (Bank of Japan, *Economic Statistics Annual, 1969*, March 1970, Table 166, p. 289) and the same source for 1972, March 1974, Table 168, p. 295.
20. According to the Institute of Energy Economics of Tokyo, the ratio of energy consumption relative to GNP (elasticity) is expected to drop sharply from 1.182 for 1965/70 to 0.994 for 1970/80, and 0.963 for 1975/80. The Institute of Energy Economics, "The Energy Problems in Japan," supplement to *Energy in Japan*, No. 24-I, March 1974, p. 4. If this ratio is used, then a one percent reduction in GNP would correspond to close to one percent reduction in energy import. A "unitary elasticity" for all energy sources would correspond to an elasticity of 1.5 for crude oil alone or 1.4 for crude oil and imported petroleum products.
21. *Japan's Energy Problem*, 1973, Table 1-2, p. 90.
22. *Op. cit.*, Table 1-3, p. 93.
23. The rate was apparently increased in later plans. For example, the target rate for FY 1973, envisaged in March 1973, was 10.7 percent and that for FY 1974-77 was to be 9.2 percent. These figures were given in MITI's "Petroleum Supply Plan for FY 1973-77" issued on March 14, 1973. *The Petroleum Industry in Japan*, 1973, p. 13.
24. The 1972 long-term nuclear plan envisaged 60 million kw of nuclear power capacity in 1985. This was reduced in the July 1973 forecast to 50-70 million kw.
25. See *Japan's Energy Problem*, 1973, Table 3-6, p. 129.
26. As a possible though not necessarily valid exception of the continuing trend, there was some increase during the first two months of FY 1974 in the share of the Arab suppliers in the second group, notably Kuwait and the Neutral Zone.
27. If large investments of Japanese capital that can be more profitably placed elsewhere must be invested first, a different issue would be involved.
28. For a more detailed discussion of Japan's China policy and Tokyo's perception of U.S. policy see a forthcoming study by the author on U.S. foreign

policy and strategic interests in the Western Pacific (Crane, Russak & Company, Inc., New York. N.Y.).

29. For the figures see *Japan's Energy Problem*, 1973, Table II-8, p. 108.
30. *Japan Petroleum Weekly*, Volume 9, No. 7, 18 February 1974 pp. 6-7.
31. *The Petroleum Industry in Japan*, The Japanese National Committee of the World Petroleum Congresses, 1973, pp. 32-33.
32. *Op. cit.*, p. 18.
33. See the Institute of Energy Economics, *Energy in Japan*, Quarterly Report, No. 25, Tokyo, June 1974, p. 1. Japan's gold and foreign exchange reserve which reached a peak of $19 billion at the end of February 1973, fell to $11.6 billion at the end of January 1974. See the *Japan Petroleum Weekly*, Volume 9, No. 4, 8 January 1974, p. 1. The amount, however, again rose to $13.4 billion at the end of June 1974. International Monetary Fund, *International Financial Statistics* Washington, D.C., Volume XXVII, No. 8, August 1974, p. 210.
34. *cf.*, "Energy Data," *Energy* (in Japanese), Tokyo, August 1974, p. 94.
35. The total imports and exports for FY 1974 were estimated by the Economic Planning Agency in early 1974 at $47.1 billion for exports and $43.7 billion for imports. The payments balance was estimated at a deficit of $4.85 billion. See *Japan Petroleum Weekly*, Volume 9, No. 3. 21 January 1974, pp. 1-2.
36. The *Japan Petroleum Weekly*, Tokyo, Volume 9, No. 4, 28 January 1974, p. 2.

    Japan Petroleum Weekly, Volume 9, No.4, 28 January 1974.
38. *Japan Petroleum Weekly*, volume 9, No. 7, 18 February 1974, pp. 5-8.
39. *Ibid.*
40. For a more detailed discussion of the Korean, Japanese, and Chinese concession problem, see *Japan Petroleum Weekly*, Volume 9, No. 5, 4 February 1974, 11 February 1974, Volume 9, and 18 February 1974, Volume 9, No. 7.

COUNTER-INSURGENCY: *Malaysian Security Forces were able during 1974 to mount some extremely successful and highly sophisticated operations against both the Communist underground cadres and the Communist Terrorists (CTs). Some of the operations, such as that against the Malayan National Liberation Front (MNLF) in Kuala Lumpur, have probably set the Communists back two or more years. But the 1974 operations may prove to have been only the beginning of a long and protracted struggle.*

Communism in Malaysia and Singapore

Peter Simms

PREPARATIONS for a Communist offensive in Malaysia go back at least six years to June 1968 when, on the 20th anniversary of the beginning of the Emergency, the Central Committee of the Communist Party of Malaya (CPM) announced that the Party had decided to follow the path of revolutionary violence. The decision was reported by the *Voice of the Malayan Revolution (VMR),* an extremely powerful radio station transmitting from Yunnan in southern China, and - like all *VMR* announcements - would have been therefore made in conjunction with the Politburo of the Chinese Communist Party.

Even so, the decision caused a great deal of dissent within the CPM. There was internal disagreement too surrounding some of the Party's new recruits, who were believed to include agents planted by the Malaysian Special Branch. A number of executions were carried out by the CT's 12th Regiment.

The upshot was a split in the Communist political and military organizations in Malaysia. Chin Peng - the veteran Communist leader of the Emergency, believed, for want of evidence to the contrary to be still Secretary-General of the Party and head of the Communist Terrorist Organization-had in February 1970 sent a representative over to the 8th Regiment, which is quartered in the Sadao, South Thailand, area. In the ensuing argument Chin Peng's man was shot and killed, and his bodyguard decided to defect to the 8th. The 8th Regiment therefore renamed itself the Communist Party of Malaya Revolutionary Faction (CPMRF) with its Armed Wing known as the Malayan Peoples Liberation Army (MPLA) The 8th Regiment has an identified personnel of 178 (1) and, although it engages in political work in the two northern Malaysian States of Kedah and Perlis, it has not used violence except for once in 1971.

Since the 1968 directive to return to violence the 12th Regiment, in contrast, has been sending out armed reconnaissance patrols into Malaysia and trying to rebuild the network of underground cadres and food dumps and to find new recruits.

In April 1970, on the 40th anniversary of the founding of the CPM, the *VMR* announced the formation of the Malayan Liberation Army (MNLA) - although in fact it had carried that name for a number of years previously - and referred to the existence of the Malayan National Liberation League (2). Two months later, on the anniversary of the beginning of the Emergency, the radio carried a reiteration of the earlier policy statement, setting out four major objectives. In brief, these were:-

- to make greater efforts, especially among the villages, in setting up the MNLL "and underground revolutionary organizations" as well as launching a movement to join and support the MNLL.

- to set up squads and cells of "Armed People's Militia," especially in the rural areas,

to carry out assassinations, "landmine warfare and sudden attack warfare, so as to kill and wound large numbers of the enemy and capture their arms and ammunition."

● to make greater efforts to set up "Listening Stations and Dissemination Units" for the *Voice of the Malaysan Revolution (VMR)* so as to create revolutionary public opinion on an extensive scale.

● to warn the troops and police that if they remained loyal to the Government they would not have " a good ending" - that they had to stand on the side of the people (3).

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TO IMPLEMENT this policy the Central Committee has at its disposal a Headquarters Staff which is believed to be near Betong, South Thailand and is protected by the 12th Regiment with a strength of 722.

Drawing from the 12th Regiment the 5th Regiment was re-created. This was the Regiment Chin Peng commanded during the emergency and which was notorious in Perak for its "traitor killing" activities. By the end of 1969 a 5th Assault Group of about 50 CTs had also been created. This Group came under command of the 5th Regiment. The 8th Assault Group was also formed (with a strength of about 70) and sent into South Kedah. This unit was under central control and had no connection with the dissident 8th Regiment.

It had taken two years to get these large reconnaissance units into Malaysia and it was not until 1973 that the Communists could begin to implement the new policy.

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UNTIL then, the Security Forces (SF) had watched the gradual rebuilding of the underground network of cadres and had frequently found traces of the CTs in the jungle. As well as the frustrations of trying to make contact with the CT groups, they had to face ambushes and booby-traps. On 12 July 1973 the first Special Branch officer was assassinated.

The long period of waiting paid off handsomely for the SF. On 1 October, 56 CTs made a rendez -vous in Pahang under State Committee Member Cheung Chor and formed themselves into the 6th Assault Group. On the first night together they celebrated the formation of the new force and all signed the Unit's flag. This was subsequently captured by the SF, providing a useful Who's Who!

A Police Field Force soon tracked the 6th and - moving on bare feet - caught up with it and kept it under surveillance as it passed near the Cameron Highlands and down towards Raub. At the beginning of December, the police handed over duties to a military force and on 10 December Operation *Indera* was mounted.

At the same time, Special Branch rounded up over 100 underground cadres and sympathizers in the Raub area, and through these arrests and with information obtained earlier, was able to uncover and empty 55 food dumps.

The SF continued to make contact with the 6th and Cheung Chor finally decided to split into two groups. He sent a group of 22 to the north and led the other of 34 into the high jungle in the hope of making contact with CT groups in Perak and obtaining fresh supplies. Constant harassment prevented this and caused a further break up of Cheung Chors group. By the time it returned to the eastern side of the range six had died of exhaustion and undernourishment and five more were to die of eating a wild fruit. (It is of interest to re-read Spencer Chapman whose first journey was in the same area, when he and his two companions were very close to death from exhaustion and hunger (4).)

Operation *Indera* is still in progress (September 1974) with the main attention now turned against the 22 CTs. This group had first travelled some distance then turned eastwards, and is now in the high jungle north of Kuala Lipis. The CTs are known to have made contact with the underground cadres and it is largely a question of time before the SF start similar harassment. By September 1974 *Indera* had resulted in the following CT casualties: killed one, captured three, surrendered one, and died in the jungle 11. The SF have also recovered firearms, ammunition and grenades. Their casualities have been: three killed in action and six wounded.

The success of *Indera* led to the mounting of Operation *Gonzales* (8 April - 7 May 1974)

against the 5th Assault Unit in the Sungei Siput Chemor area of Perak. In this single month, figure 11 contacts were made, 14 CTs were killed (including a State Committee Member), two large CT camps were discovered with substantial quanties of food and some extremely important documents. The latter included a list of 9 Special Branch members, both those in the force and those who had retired, and from this Special Branch now know the names of all the murderers of its officers and has arrested three of them. It has also arrested a large number of cadres and sympathizers in Perak.

* * * * * * *

ONE OBJECTIVE of the SF is to force the CTs up into the high jungle where food, unless a man is extremely well habituated to life in the jungle, is virtually non-existent. There has been some criticism of this policy as it drives the CTs into the country of the Orang Asli (5), among whom 30 or 40 of Chin Peng's CTs are working - some of them as accepted members, through inter-marriage, of the Orang Asli community. Official Malaysian feeling, however, is that although the CTs will get some assistance and logistical support, the effect will be extremely transitory. One very senior official quoted an instance of over 170 Orang Asli being persuaded to move over the border into Thailand for training. Within a short time, all but three of the group moved back.

There is much to be said for the argument that the harm the CTs do among the Orang Asli is limited while the penalties they have to pay are extremely high. These include a significant slowing down of their movements. The 6th Assault Group, according to a surrendered person, was reduced to two days march followed by two days' rest. At times, the CTs can cover only two or three miles on the map a day. More importantly, they are kept away from the fringe of the jungle where sympathizers can set up food dumps, make purchases for them and generally help to bolster their morale. Isolation in the high jungles, moreover, inhibits the CPM in its political work, to which it accords priority over military operations.

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MAO'S concept of the guerrilla swimming as a fish among the people did not prove entirely possible to realize during the Emergency because the largest ethnic group, the Malays, see the CPM as almost totally a Chinese organization (6).

There is, however, a predominantly Malay regiment within the CTO structure - the 10th Regiment, based near Weng. It has a strength of 400, at least 80 per cent of whom are Malays, and acts jointly with the 10th Regiment Independent Combat Platoon with a strength of 20 to 30 CTs.

The Malay CTs task was to stir up trouble among the Malay villagers of Kelantan and Trengganu. The Independent Combat Platoon proved to have chosen its name rather ineptly. It entered Kelantan in 1970 and spent most of its time trying to avoid any contact with the Security Forces. In 1972 it retired behind the Thai border and has only made occasional, equally unsuccessful, forays into Malaysia since.

Kelantan and Trengganu are the most conservative Malay States and undoubtedly there are economic, land and religious problems which the CTs could play on. The new 72-mile highway from Jeli in the north-west of Kelantan to Grik and from there to Butterworth and Penang will undoubtedly contribute a great deal to promoting economic prosperity in the two north-west States. It is because of this that the CPM has tried to stop the construction of the road. The Government is as clearly determined that the road will go through and although the CTs may be able to set up ambushes, mine the road and cause some loss of life, the Government could never afford to give in to pressure. The CTs may, however, be able to delay the completion of the road-and indeed it is now thought that the target date of 1977 will now have to revised to 1978 - but the fact that the road is nevertheless being built is obviously a most important factor for the people of Kelantan and Trengganu. The CPM threat will clearly continue, but its real danger must lessen appreciably as the road nears completion.

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NOW, as in the Emergency, the armed guerrilla (MNLA) plays only a secondary role to the underground cadres (MNLF). This is of considerable importance as it means that the needs and requirements of the MNLA are always

subordinated to the political struggle. The CPMs use of violence is designed to hasten the building of mass support, but the military command cannot necessarily deploy its forces in the most *militarily* effective manner.

The MNLA is merely the machine to get the political worker to the people. The situation is therefore different from a civil war where the two armies first fight the war, then the winner imposes his political ideology. This provides an argument in favour of keeping the CTs in the high jungle; once forced up there they cannot "deliver" the MNLF personnel to their work area.

The MNLF is, therefore, the real enemy. In its present condition, it is a much truncated version of its earlier structure. Its general structure and chain of command runs, as in any other Communist organization, from Central Committee to State, District and Area Comittee which in their turn control the cells.

But the days when there were the North, Central and South Malayan Bureaux have gone. The Central Committee now deals with the MNLA through the North Malayan Bureau and with its underground organization through the State Committees. There is, however, a South Line organization which comprises Negri Sembilan, Malacca, Johore and Singapore (the CPM still considers the last as part of "Malaya").

Estimates of the size of the MNLF are extremely difficult to make. For example, clear distinction has to be made between cadres, active sympathizers, and those who out of fear, blackmail, discontent or apathy can be called upon for assistance in providing money, goods or services.

Allowing for the arrests, there are possibly about 500 - 600 MNLF cadres above the South Line. If each has between four and ten contacts, reaching from the active sympathizer who is possibly hoping to become a cadre member to the least active, but involved member, this would give a force of from 2,400 to 6,000 "Baker Street Irregulars."

In the South Line Organisation there are possibly 200 cadres, of whom about 100 are in Singapore.

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SINGAPORE has always been a doctrinally indigestible part of the CPM plans. The CMP's strength rests among the ethnic Chinese and of Singapore's 2.2 million inhabitants, 1.6 million are Chinese. It appears to be a most tempting lever, but as Richard Clutterbuck has pointed out (7), the CPM's decision in 1948 to contest power in Singapore, instead of preventing the re-establishment of the rubber estates and tin mines in Malaya was most probably the basic cause for its being eventually driven out of the Peninsula.

Today Singapore can provide logistical help and financial support for the MNLF in the South Line organization, but there is reason to believe that the CPM in Singapore is split between those who work for the CPM and those who are younger. Although it is not entirely clear what the differences are.

There is extremely good liaison, officials of both Governments say, between the security forces of Singapore and Malaysia. In July a top-level government spokesman summed up the situation in Singapore - and therefore in the Malaysian area of the South Line - of the MNLF as follows:

"Our assessment is that they (the Communists) will continue with a similar pattern of activities. Our recent arrests on 21 June and later of 35 were a pre-emptive strike after months of surveillance and investigation and have certainly crippled their organization and thwarted their capabilities for the time being to create any activities of any serious consequence. Economic conditions help to deny support, but there is constant vigilance against acts of sabotage and terrorism".

So far, there have been no indications in Singapore of the urban guerilla. Infiltration of legitimate organizations, subversion and active assistance to the MNLF organization outside are self-evident; but other than some real and simulated booby traps there has not been any attempt to utilize Singapore as an urban guerilla base.

The CPM faces in Singapore the same dilemma as in the past. With its Chinese population the city-State clearly represents potentially vast assets of money, manpower, supplies and covert services, and it would provide great utility as a base. But if urban guerrilla warfare were ever started there, the security forces would

retaliate so strongly that cadres, supporters and sympathizers would be swept up. Singapore as a logistics base would have been destroyed until another organization could be built up, without, in the present economic prosperity, arousing any popular support for those arrested.

The nearest approach to urban guerrilla activity has been in Kuala Lumpur, where the MNLF has been very active for a number of years attempting subversion as well as trying to exploit any racial tension. Special Branch, however, had an extremely detailed knowledge of its activities and contacts. Among others they had under surveillance a State Committee member, Yau Tai Chong (alias Ngau Tai Chong) who was also a probationary member of the Central Committee of the MNLF.

At the beginning of July Special Branch decided that it was time to roll up the MNLF in Kuala Lumpur. One of their prime targets was Yau, who was known to be armed and would resist arrest. He was fortunate enough to get away at the first attempt to arrest him — largely because the police did not wish to get involved in a fire-fight and risk harming the public. During the next two weeks, according to official sources, Special Branch arrested all the major cadres of the MNLF in Kuala Lumpur and adjacent Selangor, bringing to an end over two years' work. Yau was finally cornered in a farm in Ampang New Village just outside Kuala Lumpur; he opened fire on the police and was unfortunately killed in the return-fire. Ammunition, explosives and documents were recovered. Plans were found at the same time of a plot to attack the Federal Territory Police H.Q. (confirming, in fact, Special Branch's own information on the plot).

Again, however, as in the case of Singapore, the MNLF cannot be termed "urban guerillas". The projected attack on the Police H.Q. comes really within the context of the MNLF's former work of assassination and individual acts of terrorism.

It seems, therefore, that the cities and main towns, because of the incredible difficulty involved in trying to transmit supplies from Thailand, will have as their most important role that of logistic bases. The main functions allotted to the MNLF would seem to support this assessment; it is charged with logistics, subversion of youth, peasant, labour and cultural bodies and, whenever possible, the penetration of government services. The MNLF also provides killer squads, a former responsibility of the MNLA. The members of the killer squads may have nothing to do with the MNLF, in the interests of security.

Government officials in Singapore and Malaysia are well aware that these disruptive tactics have not been very successful because of the general high level of prosperity. But a world recession that reduces the standard of living would clearly be exploited by the CPM through the MNLF cells and the Secret Societies.

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IN SARAWAK which comes under the North Kalimantan Communist Party (NKCP) — the terrorist activities suffered a major setback when the Political Commissar, Bong Kee Chok, surrendered on 4 March 1974 with 569 CTs, leaving only some 170 in the jungle. A number of the remnants were Chinese from Indonesia who were afraid that they might be sent back to Indonesia. On 5 July 1974, the Sarawak Government announced the resumption of military operations against those CTs who had refused to accept the amnesty.

It has been suggested that Malaysia's Prime Minister, Tun Abdul Razak, might, or should, offer the same general amnesty as did the Chief Minister in Sarawak. But the differences between the two insurrections are large.

As a very senior Malaysian government official has said, "In Sarawak we hammered them over a period of three years to their knees, we penetrated their underground cadres. We beat them. In Peninsular Malaysia, the fight has only just begun. Until we have hammered the CTs here in the same fashion, they will not be interested in an amnesty".

The Sarawak insurrection had been in active existence for 11 years. Following the abortive attempt at a Communist coup in September 1965, the Indonesian army was able to mount major operations against the CT bases and, in 1968, their main base in Gunong Bara. From then on the CTs had to live within Sarawak. By 1970, the Malaysian army had begun to discover where

their bases were and had begun to clean them out. Between 1971 and the March 1974 surrender the CTs lost 596 killed, captured or surrendered — more than 40 per cent of their force. The SF lost 68 men in the same period.

Additionally, the Sarawak United People's Party (SUPP), which had once been thoroughly infiltrated by the NKCP, cleansed itself and joined the governing Sarawak Alliance Party, so depriving the NKCP of any legal front party.

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JUST before the August General Elections, the CPM declared that it had given up the "parliamentary struggle" and in a slightly contradictory directive, said that while any left-wing politician should be supported, where there was no left-wing candidate the elections should be boycotted. Far more worrying, however, had been the fears that the CTs might use violence at the pre-election speeches and at the meetings.

In the event, the effectiveness of the arrests of underground cadres and sympathizers in both Malaysia and Singapore was proved. There was not one incident reported of CPM activities against the electors.

The only recent operational success the CTs have enjoyed was in late May 1974 when they damaged 68 road-making engines on the East-West Highway from Grik to Jeli. This was most probably the work of the 12th Regiment which slipped over the border and used home-made explosives to damage the construction equipment. This is now being replaced and eight of the machines were operational by August.

In the middle of August, a party of CTs set up an ambush, killing two soldiers and three civilians and wounding eight others. But this is highly indicative of the relative weakness of the CTO which can only mount successful offensive operations from behind the cover of the Thai border. Once in the central massif the terrorists' main activities are keeping alive and trying to avoid contact with the SF.

In the Peninsula, the underground in Kuala Lumpur has had two to three years work destroyed. In Raub and Pahang a similar situation prevails. It is only in Perak, especially the Sungei Siput and Chemor area and the northern part of Perak which the lie of the land connects directly, via Grik and the Sungoi Perak area with the Thai border, that the situation is considered sensitive. It was here that the first incidents of the Emergency took place and although Operation *Gonzales* has been extremely successful, the remnants (40 to 50) of the 5th Assault Group are still there to aid the recreation of the underground. And in the Kulim area of Kedah the 8th Assault Group (50 to 70) is operating. The decisive battles will take place in these two areas, but perhaps not for two or three years to come.

1973 saw the quickening build-up of both the CTO and the underground on Malaysian soil. The success of *Indera* was the first proof that the SF's time of waiting had been used to put into operation extremely fine intelligence work and to develop new techniques and new forms of co-operation between the police, military, and those civil departments involved.

The situation has many similarities with the Emergency. But Malaysian society and the economic infrastructure have changed completely as high commodity prices have brought in wealth that has been ploughed back into the country by large-scale development projects. Many of the methods employed during the Emergency, such as the setting up of New Villages, would be politically unacceptable and, with the present advanced society of motor cars and scooters, almost impossible to police effectively.

The emphasis more than ever has therefore turned upon high-level intelligence obtained by penetration, close contact of all the security forces, especially the police, with the people, and study and research to determine patterns and habits.

While the MNLF will pose the greatest problem in the coming year or two, it will be the CTO which may through ambushes make most of the headlines. It will be interesting to see whether the policy of assassination and indiscriminate warfare through ambushes and mines will have to be dropped, as happened after the first years of the Emergency because it was alienating the people. It will also be interesting to see how effective ties of family and race, combined with intimidation and supposed loyalty, will prove to be in the new prosperous society.

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ACCORDING to a Malaysian government announcement on 1 November 1974 there has, since 1 August, been a third group that has broken away from the CPM, giving themselves the name of the Communist Party of Malaya (Marxist-Leninist), CPM(M-L). The size of the group has not been disclosed, but they were formed initially from the 2nd District of the 12th Regiment — the 12th Regiment is divided into four "districts" around Betong.

They have chosen to give their guerrilla group the same name as the 8th Regiment took when it broke away; viz. the Malayan People's Liberation Army (MPLA).

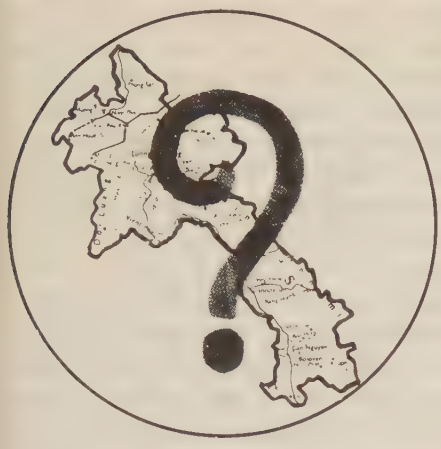
They have also persuaded some of the underground cadres in the Peninsula to join them and these have now taken the name the Malayan People's Liberation League (MPLL). On 22 October the MPLL distributed a manifesto and other documents, as well as hanging banners and flags in Kuala Lumpur and in towns and villages in eight states (Selangor, Negri Sembilan, Malacca, Johore, Pahang, Perak, Penang and Kedah). However, there is reason to believe that the main strength of the MPLL lies around Kuala Lumpur, Selangor and neighbouring states and the widely dispersed demonstrations on 22 October were an attempt to create a false impression of its strength.

There are still a number of unknown factors such as the size, territorial and organizational strength, and such things as why Russian flags were also found at some of the October demonstrations. Until more is known about the CPM(M-L) it would be dangerous to make any assessment of the effect the latest split will have on the future.

Notes and References

1. All statistics on CT strength in this article are based on three independent sources of positive identification. The total number of CTs is probably in excess of 1,600.
2. The distinction between the Malayan National Liberation League and the Malayan National Liberation Front is unclear. It is conceivable, however, that the League, on the pattern of the Anti-British League during the Emergency, offers an intermediate stage for sympathizers and aspirant cadres who - presumably after a successful probationary period - graduate to membership of the Front.
3. A policy of assassinations and terror was adopted by the CPM in the first years of the Emergency - and dropped because its effect was to alienate the people. Yet the *VPM's* June 1970 statement directed a reversion to this policy.
4. Spencer Chapman, *The Jungle is Neutral* (London, 1949).
5. A high-jungle people of non-Malay stock.
6. Malaysia has always presented a difficult problem for the CPM as it does not conform to the patterns of either the Russian (urban) or Mao Tse-tung (rural) revolutions.
7. Richard Clutterbuck, *Riot and Revolution in Singapore and Malaysia, 1945-1963* (Faber and Faber, London, 1973).

LAOS: *The political problems of this war-torn country of three million people — the extreme difficulty of applying the Pathet Lao/Nationalist agreements of 21 February 1973, and the fragility of the new provisional system of government — have been compounded by the removal through ill-health of the mediating influence of the Prime Minister, Prince Souvanna Phouma.*



The Future of Laos *

André Tong

LAOS, closed in from the sea by a nearly 3,000 km. common border with six States, has always been obliged to adhere to a policy of neutrality to survive. Force of circumstances has made the Kingdom a sort of South-East Asian turn-table for immediate neighbours of varying ideologies. In the north is the People's Republic of China, in the northeast to east the Democratic Republic of (North) Vietnam (DRV), in the east the Republic of (South) Vietnam, in the south the Khmer Republic, in the south-west to west the Kingdom of Thailand and in the north-west, Burma. Intersected from north to south by a stretch of the Mekong River of more than 1,500 km., Laos has for many centuries been considered as an invasion route. The valley of the Mekong and its fertile plains are dominated by mountainous wooded areas, reaching as far as the buttresses of the Annamitic chain in the east. The relief of this sparsely populated area of the country provides many stategic positions of immense importance. For example, in the north, Phou Bia (2,860 metres)—the highest summit of the Tra Ninh Plateau—dominates access to the Plain of Jars, and in the north, Bolovens Plateau (1,250 metres) stands out as a dark mass near the border of the Republic of Vietnam. These two peaks stand over, respectively, the entrance of the "Ho Chi Minh Trail" in Laos, and the last stretch of the invasion route which starts in the DRV and ends in the Republic of Vietnam and in the Khmer Republic.

Thick jungle covers a large part of these regions; there are few roads, and some of these have been cut by military engagements or destroyed by bombing.

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THE inherent difficulties of the physical configuration of the country from the viewpoint of effecting efficient controls, are augmented by the obstacles arising from the provisions of *"The Agreement on the Re-Establishment of Peace and the Realization of National Harmony in Laos."*

This document, signed in Vientiane on 21 February 1973 between the Nationalist and Communist leaders, nearly a month after the Paris Agreement on Vietnam, did not result in the immediate termination of the war. It took, in fact, more than 13 months of negotiations, interrupted by military operations, finally to establish on 5 April 1974 the "Provisional Coalition Government." (This, in fact, should have been established during the 30 days following the signature of the Vientiane Agreements, i.e. by 23 March 1973.)

The Agreements were divided into two parts; the first part concerning military questions and the second the political future of Laos. The existence of two zones had at the beginning been

*Translated from the original French by Mrs Ivy Sucharitkul.

acknowledged. These were to be "controlled separately by the two parties" (Article I) and, whilst waiting for the National Assembly elections and the definitive government, "each party would keep the provisional zone under its control" (Article 10).

These clauses ran counter to the concept of the Kingdom's territorial unity, and it can be seen, by studying a map of Laos, that the zones controlled by the Communists covered about three-fifths of the country, including the border areas of Burma, South Vietnam and the Khmer Republic. For many years foreign forces have occupied these vast areas; but now, according to the terms of the military clauses of the Agreements, "the withdrawal of **all** foreign forces" was to be completed during the 60 days following the installation of the Provisional Coalition Government, namely by 4 June 1974.

The Provisional Government had two special committees at its disposal to ensure the proper application of the Agreements: one on the national level, the "Mixed Commission for the application of the Agreements" is a new body; the other, on an international level, had been instituted 20 years ago by the 1954 Geneva Conference and reactivated by the 1961-62 Geneva Conference.

The Mixed Commission, comprising seven representatives from each of the two parties and auxiliary personnel not exceeding 100 members per party, had spent more than a year coming to an agreement on the details of the inspection and control of the withdrawal of foreign forces. The commission was not, in reality, a commission for military control. Its objective, such as it was defined, was solely to apply the Agreements as a whole, including the cease-fire. This was finally achieved; no more military engagements were reported and to prevent the return of hostilities the Mixed Commission was asked to delimit the "hot-points" where opposing forces found themselves face to face because of the cease-fire. These 32 designated "hot-points" were mainly to be found in the province of Luang Prabang and in the Nam Kha Dink region. When the Mixed Commission moved from place to place, it could not apply the unanimity rule unless it had a full complement of 14 members. Up to the present time (September 1974) it has not been able to go into the *Pathet Lao* zone to determined the presence of foreign forces or to verify their withdrawal.

This clause was never completely respected. The foreign forces included, on the one hand, American advisers and pilots as well as irregular soldiers from Thailand and, on the other hand, regular units from the People's Army of Vietnam (PAVN) from North Vietnam, and Chinese "workers" in uniform working on the construction and protection of strategic roads in the north of the country.

At a fixed date, the less than 1,000 American military personnel, and the Thai irregular volunteers (their actual number did not exceed 10,000) left Laos. But there was no movement of the 50,000 North Vietnamese soldiers or of the 20,000 Chinese in Phong Saly Province.

The Democratic Republic of Vietnam, supported by the propaganda of other Communist Powers, argued that it could not provide a positive figure for the number of its forces in Laos as it allegedly had none deployed there. The Mixed Commission, knowing that it would not be allowed access to the *Pathet Lao* zone, realized its impotency to accomplish completely its mission.

The International Commission of Control (ICC), composed of representatives from Poland, Canada and India, who took over the chairmanship in rotation, was in no better position than the Mixed Commission to assume its task. While the ICC was maintained in force by the Vientiane Agreements, "in conformity with the tasks, powers and working principles as stipulated in the protocol of the 1962 Geneva Agreements" (Article 12), this protocol specified that the ICC could only investigate violations at the request of the Provisional Government — which had to abide by the unanimity rule. This clause was inaffective and the ICC saw its powers further reduced by the Vientiane Agreements' stipulation that it should only pursue its mission in relation to and in collaboration with the Mixed Commission and "with the consent of the two parties." Because of the paralysis imposed upon the ICC and the ineffectiveness of the Mixed Commission, Canada decided to leave the International Commission, as it had already done in Vietnam (where it was replaced by Iran). In Laos, Canada was not replaced and the ICC was crippled. The Prime Minister, Prince Sou-

vanna Phouma, requested the Canadian Government to change its decision but it is extremely doubtful that the Canadian Government will do so.

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HANOI for many years denied the presence in Laos of units from the PAVN, in the face of incontrovertible proof to the contrary, such as declarations from North Vietnamese officers captured in Laos, White Papers from the Royal Government, the 1959 report by the Sub-Committee of the UN Security Council and majority reports from the International Commission of Control.* Such evidence was not able to change the attitude of the DRV leaders, nor that of the Hanoi-supporting Communist Powers, especially the Soviet Union. The latter, as Co-Chairman of the two Geneva Conferences, sabotaged the Agreements for 20 years by systematically refusing to transmit to the governments of the signatory countries any International Commission of Control reports which were unfavourable to the Communists.

Ironically, the systematic DRV denials of the presence in Laos of North Vietnamese army units have been contradicted by the official North Vietnamese Information Agency (VIA). In a long review of the events marking "the revolution in Laos", datelined Hanoi on 29 September 1970, VIA stated that since November 1945 "Prince Souphanouvong, Minister of Foreign Affairs and Commander in Chief of the Lao Liberation Army, personally commanding the battlefield in Lower Laos, signed in the name of the provisional government a military aid agreement with an envoy from the DRV Government to Laos. A mixed Lao-Vietnamese force was therefore created to combat the common enemy of the two nations — the French colonialists — and to safeguard national independence."

Since that time, military aid from the DRV has continued to flow to the Laotian Communists. Prince Souphanouvong did not conceal it in his speeches to Ton Duc Thang, Chairman of the DRV, and to the Prime Minister Pham Van Dong following the signing of the Vientiane Agreements. The cease-fire agreement, said the "Red Prince", "is a great victory for the three Indochinese peoples" and for "the military solidarity of the Lao and Vietnamese people"; it is also the fruit "of the great aid given by the *Lao Dong Party* (Vietnamese Communist Party) of North Vietnam to the Lao people in its struggle against aggression from the United States."

Other Lao Communist leaders have also implicitly contradicted Hanoi's denials. Kaysone Phomvihan, of Lao-Vietnamese origin and Number One in the Lao Communist Party, *Phak Pasasone Lao* (Lao People's Party) came out of hiding at the time of the Vientiane Agreements, and in his message to the *Lao Dong* leaders, insisted upon DRV engagement in Laos, underlining that "the enormous victory gained by the patriotic forces and the Lao people could not be separated from the material and moral support from the DRV which had contributed by infusing life and blood into the revolutionary cause of the Lao people."

Peking, in contrast to Hanoi, has maintained silence about the presence of its nationals in the province of Phong Saly. In diplomatic circles in Laos similar attitudes are observable; people satisfy themselves by replying to questions on the subject: "Nobody talks about the Chinese."! Nevertheless, the People's Republic of China has not concealed the military aid it gave to the Laotian Communist rebellion, whilst at the same time improving its strategic position *vis-a-vis* the non-Communist neighbouring countries, Burma and Thailand. According to the terms of the 1961 agreement on economic aid to Laos, the People's Republic of China undertook to construct a road connecting Yunnan and the *Pathet-Lao* controlled province of Phong Saly. At the present time "the Chinese road" forms a hard surfaced network, nearly 800 kilometres in length, for two-way traffic.

One of the roads leaves Ssu-Mao in Yunnan and ends in Phong Saly, capital of the province

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**Editorial Note:* Of 180 Communist prisoners released by the Vientiane side on 18 September at Phongsavanh, near the Plain of Jars, 173 were North Vietnamese. The Communist side released 150 captured Thai volunteers and 20 Laotian soldiers in this first of a scheduled series of POW exchanges. The Thais - 640 are eventually to be released - said they had been held in North Vietnam where some were tortured and made to undergo forced labour *(Reuters,* 20 September 1974).

of the same name. A second one starts in Dien Bien Phu in DRV, goes down towards the Mekong while passing through Muong Khoua and Muong Sai and ending at Pak Beng (32 km. from the Thai border). A third starts in Yunnan just after Meng La, buries itself into Laos in Houa Khong province (to the extreme north-west, neighbouring on Burma at Muong Sing) then veers off towards Nam Tha, capital of the province, and finally goes via Vieng Poukha towards Ban Houei Sai, north of Pak Beng and separated from Thailand only by the Mekong. The stretch leaving Vieng Poukha is not yet finished as it is to end in the zone controlled by the Nationalists.

Initially 5,000 Chinese coolies worked on this "Chinese road" but today it is guarded day and night by about 20,000 soldiers from the Red Chinese Army equipped with radar and power D.C.A. batteries which discourage aircraft from over-flying.

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IN the ongoing political struggle in Laos, the Nationalists, known as the "Vientiane side", have as a prop their old Lao religious and family traditions as well as the support of friendly countries. The *Pathet Lao* and its Lao Patriotic front *(Neo Lao Haksat),* receiving instructions from the *Phak Pasasone Lao* (the "Lao People's Party" — the Communist Party), profit from the support of Communist Powers from both the military and propaganda points of view.

The Vientiane Agreements set up two control organizations to oversee the political future of Laos: the Provisional Coalition Government and the National Consultative Council in which the Nationalists and the Communists were called upon to occupy an equal number of seats.

This attempt at a bipartisan policy was an innovation in Laotian political life. Two previous attempts to make the Communists participate in government had failed, resulting in the return of hostilities.

On the first occasion in 1957, the terms of an agreement signed between Prince Souvanna Phouma, Prime Minister of the Royal Government, and his half-brother, Prince Souphanouvong, leader of the *Pathet Lao,* had laid down that the rebel organization would reintegrate with the national community. The *Pathet Lao* began to reinstate two northern provinces of the Kingdom, Phong Saly and Houa Phans, which it occupied and to dissolve the *Pathet Lao* so as to transform it into a legal political party, the *Neo Lao Haksat.* On its part, the Royal Government decided to proceed with complementary legislative elections with Communist participation and to yield its place to a new government described as a coalition with two Communist ministers: Prince Souphanouvong joined the Cabinet as Minister of Planning and Phoumi Vongvichit became Minister of Religion, a most important role. Phoumi Vongvichit, a former *chao muong* (district chief) of Sam Neua, was already the Secretary-General of the *Neo Lao Haksat* — and still is — and a doctrinaire marxist.

This first coalition government was invested by a unanimous vote of the National Assembly. But the election campaign was marred by acts of violence, kidnappings and political assassinations perpetrated by Communist agents, especially in the south of the country. Of the 21 members of parliament elected, nine were Communists. Following an alliance with an extreme left socialist party, the *Santiphab,* a crypto-Communist Party of only a dozen members was formed. Noting that the coalition government could not be driven out and seeing that they could not come legally to power, the Communists resorted to subversion and then to force. The two provinces were not returned to the King (despite Prince Souphanouvong's pledge) and the *Pathet Lao* resorted to open rebellion. The Communist members of parliament were imprisoned in July 1959, pending trial on charges of causing a threat to the security of the country, but they succeeded in escaping ten months later. A military *putsch* by a parachute captain on 9 August 1960 overthrew the Royal Government.

Three political factions emerged: the National Rightists, the extreme left Communists and the Neutralists in the centre. The Neutralists, with Prince Souvanna Phouma, tried to find ways to reconcile the other two sides but without success. Hostilities and violence returned.

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IN response to the growing menace that the civil war would degenerate into an in-

ternational conflict, maintained by the great Powers in accordance to their own ideologies, an international conference on Laos was convened in Geneva on 16 May 1961.

The leaders of the three factions, Princes Boun Oum na Champassak (Nationalist), Souvanna Phouma (Neutralist) and Souphanouvong (Communist) met on several occasions to establish a new formula for a provisional coalition government in which each faction would be represented. It was at first decided, unanimously, that this "provisional government" would be "formed, according to a special procedure" by designation and direct nomination by His Majesty the King, *without passing through the National Assembly."* This procedure was contrary to the Laotian Constitution. Then after months of negotiations, the Princes came to an agreement on the distribution of portfolios in the future provisional government, giving the majority of the ministries and the offices of State to the Neutralists, with the Communists only receiving four ministries and offices of state equally with the Nationalists. Finally, the three Laotian leaders approved the nomination of 18 ministerial appointments. The list was submitted to and signed by the King.

This provisional government sent a delegation to Geneva for the signing of the Agreements in which was included a "Declaration on the Neutrality of Laos", presented on 9 July 1962. The provisional government solemnly declared that it would "not recognize the protection of any other alliance or military coalition, including SEATO", (Article 4 of the Declaration on the Neutrality of Laos). By declaring its willingness to leave the protective umbrella of SEATO*, Laos took a risk in the knowledge that it did not have sufficient means to assume its own defence. The 14 countries taking part in the Geneva Conference, of which four were members of SEATO, on 23 July 1962 signed the promise to respect *"the desire of the Kingdom of Laos"* to reject the protection of SEATO.

The Geneva Agreements on Laos, despite the euphoria their signing aroused, rapidly appeared as bearers of seeds of discord in the provisional coalition government. On the political plane, the unanimity rule prevented measures being taken which would not receive the approbation of the Communist ministers. This second provisional coalition government officially lasted for 12 years, until its demise in 1974. But the Communist ministers had deserted their posts in 1964 to return to the jungle and the army of subversion had been started up again. Nevertheless, to maintain the myth of tripartism, the Communists kept an antenna in Vientiane, like a post-box, whilst the head of the provisional government, Prince Souvanna Phouma, made it known to the Communist ministers that he would keep open their posts (filled only by interim appointees) for their return to Vientiane.

Exchanges of letters, tentative proposals for meetings and even a meeting of the three Princes in France, resulted in no progress in ending the hostilities of the two camps, each receiving the backing of powerful friends. Even the re-convening of the Geneva Conference was spoken of, but it was blocked by the unwillingness of the Communist Powers. With the evolution of the war in Vietnam and the negotiations in Paris, talks between the two half-brothers, Princes Souvanna and Souphanouvong, started again. These were interrupted by renewed outbreaks of fighting, the Communists practising the well-known tactic of the DRV of negotiating while fighting and fighting while negotiating.

Finally, on 5 April 1974, a new Provisional Coalition Government was formed with the admission in full strength of Communists to the Cabinet: ten ministers and secretaries of State out of 25 members.

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**Editorial Note:* Under a protocol to the 1954 South-East Asia Collective Defence Treaty (the Manila Pact), the eight signatories extended to Laos, Cambodia and South Vietnam the Treaty's collective protection against armed attack and other threats to national integrity, sovereignty or independence (as well as the Treaty's provisions on economic co-operation). No action on the territory of the Protocol States, however, could "be taken except at the invitation or with the consent of the government concerned" (Article IV, para. 3). During the 1960s a majority of SEATO members agreed with the joint Thai/US statement of 6 March 1962 that the Treaty obligation "does not depend upon the prior agreement of all other parties to the Treaty, since this Treaty obligation is individual as well as collective".

THE FUTURE of this new experiment does not look favourable because of the composition of the new system of political control set up by the Vientiane Agreements and its annexed Protocol.

This Protocol stipulated, in effect, that the new Provisional Coalition Government would be composed of 12 ministries, for which a minister and a secretary of State would be jointly responsible. Five ministers belonging to one party (Nationalist or Communist) would be assisted by five secretaries of State representing the opposing side. Two ministries and offices of State would be assigned to "persons devoted to peace and neutrality." The post of prime minister would be entrusted to a person belonging to neither one nor the other party, and he would be assisted by two deputy prime ministers, one a Communist and the other a Nationalist.

Under these conditions, it is difficult to see how the representatives of two parties as opposed as the Nationalists and the Communists could co-exist on the same footing, especially after years of war, and at the same time try to work effectively for the future of the country.

This new Government was, moreover, nearly paralyzed from the outset as all decisions had to be taken unanimously to conform to the signed stipulations.

The first meetings of the Cabinet were stormy, and only the patience and personality of the Prime Minister, Prince Souvanna Phouma, acting as mediator, prevented the situation from degenerating. When a controversial proposal did not receive the required unanimity, it was left in suspense until the next ministerial meeting, (held, in principle, every Wednesday), or to another meeting. Government was consequently much slowed down.

In studying the composition of this new Government, it is difficult to display any optimism for the future of Laos. Although the key ministries, like National Defence and Interior, were not entrusted to the Communists, the external politics of Laos, as a member of the UN and the "non-aligned countries", was entrusted to Phoumi Vongvichit, First Deputy Prime Minister and Minister of Foreign Affairs. This 64 year-old doctrinaire marxist headed several delegations to Communist countries but did not hold one international audience. He carried out the orders of the Communist Party in a disciplined manner, as a member of its Central Committee.

The Ministry of Economy and Planning went to Soth Pethrasy, a former teacher, who led a small *Pathet Lao* liaison mission in Vientiane and took part in the negotiations. As a Minister, Soth Pethrasy will have the upper hand regarding the foreign economic aid accorded to Laos.

The portfolio for Public Works and Communications went to the Communists who designated a member of the Central Committee of the *Neo Lao Haksat,* "General" Sinkapo Chounlamany. An ex-teacher and leader of youth movements in Thakkek Province, he gave himself the rank of colonel by rejoining the ranks of the *Pathet Lao* around 1954. He obtained without difficulty his general's stars and was even commander-in-chief of the *Pathet Lao* forces for ten years. A member of the Central Committee of the *Neo Lao Haksat,* Sinkapo as Minister of Public Works facilitated completion of the final stretches towards Thailand of the "Chinese road."

Tiao (prince) Souk Vongsak, 59 year-old member of the Central Committee of the *Neo Lao Haksat* and a secretary of State in the former provisional coalition government, was put in charge of the Ministry of Information, Tourism and Propaganda in the present Cabinet. For the Communists this is a key post, allowing control of the Press and the orientation of public opinion in the direction desired.

Finally, the Communists obtained the portfolio for Religion, the importance of which cannot be under-estimated in a Buddhist country where the monks play an important role close to the people, teaching in temple-schools the national language and history. The Ministry of Religion (to the design of the *Neo Lao Haksat)* was given to Maha Kou Souvanna Methi, a former member of the crypto-Communist socialist party *Santhiphab.*

The Nationalists were also allocated five ministries in accordance with the equality rule governing the division of posts.

The leader of the right faction, Leuam Insisiengmay, retained his functions as Second

Deputy Prime Minister and Minister for Education, Fine Arts and Juvenile Sports. The Member of Parliament for Savannakhet to which he was consistently re-elected by a large number of votes — Leuam has on several occasions during the last 20 years occupied important ministerial posts, in particular that of Minister of Finance.

The portfolio for Finance was entrusted to Ngon Sananikone, the member of a powerful Vientiane family which has produced many government leaders and ministers. In 1959, Ngon was special envoy of the Royal Government to the Security Council to request UN intervention in Laos because of the North Vietnamese invasion of the Kingdom.

The Ministry of Interior and Social Welfare was entrusted to the former incumbent in the previous government, Phen Phongsavanh (who had held the portfolio for 12 years). As a Member of Parliament and former Chairman of the National Assembly, he had always followed Prince Souvanna Phouma and was leader of the Vientiane delegation in the negotiations with the Communists.

The National Defence and War Veterans Ministry was given to the Nationalist Sisouk na Champassak. He is the nephew of Prince Boun Oum and has had a brilliant career. A 46 year-old graduate from the Political Science Faculty in Paris, he was made minister plenipotentiary, delegate to the UN, and member of the Committee for the Defence of National Interests (C.D.N.I. — a movement of young nationalists who entered government service in 1959 when Sisouk held ministerial responsibility for Information). He was then appointed Secretary of State of Finance and later Minister of Finance in the previous government, in which he also acted as "Minister-delegate" to the Ministry of Defence.

Finally, for Public Health a doctor was nominated, Dr. Khampay Abhay, a Nationalist Member of Parliament for the Sithandone Province in the south.

Two "persons devoted to peace and neutrality" were nominated to head two departments. The Ministry of Justice was entrusted to Khamking Souvanlasy, a former Laotian Ambassador to Peking. The Ministry of Post and Telecommunications went to Kampheng Boupha, a former follower of the C.D.N.I. and Neutralist Member of Parliament who was Secretary of State for Social Action in 1962 but showed himself favourably inclined towards the *Pathet Lao.*

According to the principle of equality, each minister was to be assisted by a secretary of State to be nominated by the opposing party.

The Communist appointments included the Offices of State for Finance (Bousabong Souvannavong) and that of Interior and Social Welfare to which Colonel Deuane Sounnalath was nominated. This officer of the Neutralist forces of Prince Souvanna had seceded to create rebel units — "patriotic neutralist forces" — allied to the Communists. At the same time Colonel Deuane became Vice-President of a crypto-Communist movement called the "alliance of patriotic neutralist forces" and, with this title, became a member of the Lao Communist delegation which made an official visit to Hanoi. At the present time, Colonel Deuane has taken off the mask of "patriotic neutralist" so as to make use officially of the *Pathet Lao.* The Office of State for Defence and War Veterans was given to a member of the Central Committee of the *Neo Lao Haksat,* General Khamouane Boupha, who has since rejected the initiatives of his Minister, accusing him of surrendering to "ultra-reactionary manoeuvres" in denouncing the presence in Laos of North Vietnamese units. The other Offices of State entrusted to the Communists were those of Education, Fine Arts and Juvenile Sports (Oun Neua Phimmasone) and Public Health (Khamlien Pholsena).

The Nationalist side obtained the Offices of State for Foreign Affairs, which went to Tiathone Chantarasy, a career diplomat and former Laotian Ambassador to India; that of Public Works and Transport went to Houmphanh Saignasith, a former Director of Statistics and a Nationalist Member of Parliament; that of Information went to Ouday Souvannavong, a career diplomat who was *charge d'affaires* in Paris and then Ambassador to Saigon; that of Religion went to Soukan Cilaisarn; and that of Economy and Planning went to Soumphou Oudomvilau, a Member of Parliament.

The Offices of State accorded to the Neutralists were those of Justice (which went to Somvang, a magistrate with leftist tendencies) and Post and Telecommunications (which went

to Toubi Ly Fung, who represents the important Meo minority group).

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A NEW ORGANIZATION was created by the Vientiane Agreements: the National Political Consultative Council. Its composition and tasks were outlined in the annexed Protocol.

The 42-member Council is composed of a Chairman, two Vice-Chairmen, a permanent bureau and members. Sixteen were taken from each of the two parties and ten from the Neutralists.

The tasks of this organization, as defined in the Protocol, were to co-operate strictly with the Provisional Government in the running of the country. The National Political Consultative Council, as stipulated in the Protocol, would "study and advise the Provisional Coalition Government concerning important problems relating to the internal and external politics of the country, assist with the application of the signed Agreements, propose laws and rules concerning the elections, co-operate with the Provisional Coalition Government to co-operate with the Provisional Coalition Government to organize legislative elections and form a definitive government without delay. The affairs of State regarding internal and international politics must be examined and approved unanimously by the National Political Consultative Council and the Provisional Coalition Government."

In contrast to the Provisional Government, the leader of which was categorically a person belonging to neither party, the Chairman of the National Political Consultative Council went to a person already "pledged," Prince Souphanouvong, member of the Central Committee of the *Phak Pasasone Lao* and Chairman of the Presidium of the Central Committee of the *Neo Lao Haksat*. The two Vice-Chairmen of the Council were chosen from each of the two parties. The Nationalists designated as Vice-Chairman Prince Sisouman Sisaleumsak, Member of Parliament, a former minister and nephew of Prince Souvanna. The Communists designated Khamsouk Keola, a former minister who was "discharged" for having deserted his post in 1964, and who created "the Association of Patriotic Neutralist Forces" of which he took the chairmanship. Like his assistant, Colonel Deuane, Khamsouk Keola abandoned his political label of a "patriotic neutralist" and took up that of a Lao Communist. Khamsouk Keola not only became Vice-Chairman of the Consultative Council but at the same time its Secretary-General and consequently the driving force of its permanent bureau - which was tantamount to setting up for Prince Souphanouvong a "political bureau," comparable to the supreme organs of power in Communist countries.

The powers of the National Political Consultative Council are narrow and its meetings, convened by the Chairman, are generally fixed at one or two a year, whereas the permanent bureau meets regularly. (The DRV Assembly is analogous; the full body sits only every six months, or in the case of an emergency every three months, and always for short periods.)

Prince Souphanouvong, despite the pledges he has always given to the Communist Powers, particularly Hanoi, has remained an aristocrat, never allowing his proposals to be discussed. The Council over which he presides must, according to his outlook, in some way or other be a super-government dominating even the Laotian Parliament.

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THE LAOTIAN Parliament is composed of two Assemblies: the King's Council, with half its members designated by the King and the other half by the National Assembly; and the latter for which the 59 Members of Parliament are elected for five year terms in general elections. Since 1960 not one Communist Member of Parliament has sat in the National Assembly.

The National Assembly should have taken up its work again on 11 May 1974 with the opening of its ordinary session, but two days earlier the Prime Minister asked the King that a parliamentary recess be prorogued *sine die* and this was granted despite protestations from Members of Parliament. On 10 July the Communist Ministers demanded the dissolution of the Assembly, which they said was hostile to them, and argued that its role was completed as the Government and the Consultative Council now shouldered the burden of preparing for the coming general elections as set out in the Vientiane Agreements.

(Faced with this threat, a number of Members of Parliament circulated a petition calling for the withdrawal of North Vietnamese troops from Laos. The demand came near to being discussed by the Council of Ministers.)

The restraining hand of Prince Souvanna Phouma once again proved indispensable. He said that the demand for dissolution, to conform to the Constitution, should come from the Government which in turn should transmit it to the King. The unanimity ruling regulating all decisions of the Provisional Government made it impossible to come to an agreement, with the Nationalists refusing the call for dissolution of the Assembly and the Communists demanding it. The question was then sent to the King's Council, the Chairman of which is appointed by the King and does not vote. The required majority could not be obtained and the demand remained a dead letter. The National Assembly therefore stayed in recess *sine die.*

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THE NATIONALISTS continue to employ delaying tactics against Communist political infiltration. They refuse to accept defeat and retain their habitual optimism, pointing out that the Lao Communists lack the subordinate political cadres to carry out the directives of the *Pathet Lao* ministers. They claim that the Communist ministers brought with them few personnel - just a *chef de cabinet* and a personal secretary - for the functioning of the departments which had been allocated to them. The other officials of the ministries headed by Communists were accepted into the Administration of the Vientiane side to which they owe their careers.

But, in this stealthy political struggle between the Nationalists and the Communists, it is not possible to indulge in false illusions. The Communists, used to the hard life in the jungle, show a strong sense of discipline in not departing from the line dictated by the Party. The Nationalists, having for a long time known the easy, softening life of the capital, remain persuaded that Communism will never come to root *itself* in the Kingdom. Recent examples in other countries tell another story.

Already there are indications of the fundamental changes that the Communists intend to bring to Laos. At the time of the second Congress of the *Neo Lao Haksat,* the unanimously adopted programme of action took upon itself "to respect and preserve the Throne;" now already the adjective "royal" had disappered from the official name of the Provisional Coalition Government. During the negotiations, the term "Government of Vientiane" was employed instead of "Royal Government" of Laos, and this was repeated in the text of the Agreements and the annexed Protocol.

The Nationalists have rapidly become aware of the final objective of the Lao Communists to set up a "Democratic Republic of Laos" and have mounted a propaganda campaign to preserve the monarchy.

In January 1973 a high-ranking officer of the *Pathet Lao,* Commander Sima Pansuriyavongsa, was arrested by North Vietnamese soldiers and imprisoned in the Province of Attopeu (which was held by Hanoi troops). He managed to escape and join up with the Laotian National forces. He revealed that the *Phak Pasasone Lao* had a few weeks before the cease-fire, instituted important changes in its Central Committee and defined the political stand which it meant to follow in the future.

Commander Sima gave the composition of the new Central Committee of the Lao Communist Party, the order of precedence of its members and their functions. The Number One of the *Phak Pasasone Lao* remained Kaysone Phomvihan, a member of the North Vietnamese Communist Party. He was charged with maintaining liaison between the "two brother Parties." Nouhak Phoumsak, a former Chairman of the Central Committee had become Number Two, as assistant secretary in charge of political affairs. The last two on the list were Prince Souphanouvong and Phoumi Vongvichit with the title of *"members, charged with receiving and executing orders."*

The new political line of the Lao Communist Party, as laid down by its Central Committee a few weeks before the signing of the Agreements, consisted of three phases.

The first was to be participation in a mixed police force in Vientiane and Luang Prabang to

ensure their neutralization and the maintenance of order and security there. But as the *Neo Lao Haksat* did not have an effective police force of 1,500 to fill its quota in the joint force, it was decided to recruit it from units trained and indoctrinated in the DRV, and from North Vietnamese who spoke the Lao language fluently and to whom Lao identities could be given.

The second phase concerned the "liberated zones:" these had to stay in the hands of the Communists, who were never to abandon them, and would serve as arms depots for the North Vietnamese forces and also as a source of propaganda against the Government.

Finally, once the first two phases had been achieved in accordance with Communist plans, a new government would take over the one established on 5 April 1974. The Cabinet would be formed exclusively by the *Neo Lao Haksat*, working to transform the Kingdom of Laos into a Communist "Federated State of the Indochinese Union" as conceived by Ho Chi Minh in the 1950s.

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STRUCK by a heart attack on 12 July 1974, Prince Souvanna Phouma had to abandon his duties as Prime Minister.

This 73 year-old statesman has been Prime Minister for 12 consecutive years and has on many occasions recently expressed his desire to retire once national harmony and peace has been re-established in his country. His influence as a moderator at the head of the young Provisional Coalition Government had begun to make itself felt in the Cabinet.

It was at first after his sickness envisaged that no one would take over in the interim as Head of the Government. The two Deputy Prime Ministers were content during Cabinet meetings to lead their delegations on opposite sides of the table and take their turns to speak at appropriate times. When it was possible for Prince Souvanna to travel, however, it was decided that he should convalesce in a clinic in Paris. As he was to be absent for about two months it was necessary for his place to be filled. In the circumstances this office was entrusted to the First Deputy Prime Minister, Phoumi Vongvichit. The appointment caused some uneasiness amongst the Nationalists, although the Prime Minister *ad interim* could make no decisions which were not counter-signed by the Deputy Prime Minister, the Nationalist Leuam Insisiengmay.

The political and social unrest raging in in Laos since the onset of his illness prompted Prince Souvanna Phouma to send out, before he left for France, a radio appeal to the people to "abstain from any action that could put in peril the unity and national harmony which had been regained with so much difficulty."

But Communist intransigence leaves many questions in suspense: how to establish the country's budget and how to vote for it in the National Assembly which never sits; how to define the position which Laos intends to take in the General Assembly of the United Nations; and, for the immediate present, how to apply the Vientiane Agreements according to the spirit and the letter of these documents, on the military plane as well as in the political domain. And the question of the coming general elections will remain a vexed issue for as long as free intercourse between the two zones remains impossible.

RURAL DEVELOPMENT: *The resources of most developing Asian countries - where the livelihoods of between 60 and 85 per cent of the people depend on agriculture - could not support the enormous expenditure that would be needed to effect a rapid and uniform improvement of depressed rural living standards, quite apart from the severe inflationary effects and the other practical obstacles to such an investment programme. A realistic national strategy of agrarian improvement should begin, this article proposes, by establishing an acceptable definition of absolute poverty, and should proceed by pragmatically bringing living conditions in selected areas up to the established minimum standard. The progressive extension of the programme to other areas should be staggered over one or even two decades.*

The Perennial Crusade against Asian Poverty

I.S. Macaspac

IT is paradoxical that in the developing countries of Asia the farmer who feeds the nation is among the worst fed members of society. Nutrition surveys show that his diet is generally deficient in vitamins and proteins, especially animal protein. Although his dietary deficiency may be partly due to cultural causes the major reasons are economic.

The farmer is not only ill-nourished. His clothing is inadequate and his housing sub-standard. Domestic water supply is scarce, and when available is not usually potable. So waterborne diseases are common. Rural health units are few and far distant. Hospitals are even further away. Provision of medical and even paramedical personnel is inadequate. His children either do not go to school at all or drop out of school after a few years.

Crop-production not infrequently suffers from the destructive effects of drought or flood. In many places yields are still low because of the non-application of inputs of good seeds, fertilizer and insecticides. When the farmer is willing to apply the inputs, if available, the prices are unreasonably high; or local credit is not obtainable. If credit can be had from a bank, he cannot put up the required collateral if he is just a landless tenant or even if he owns his land but it is untitled. Consequently, he is forced to obtain credit from private money lenders, to whom he has to pay exorbitant interest.

If he has the means to produce he does not have the knowledge of the techniques for productive farming as he seldom receives the benefit of advice from extension agents, for there are not enough of the latter to serve all the farmers needing assistance.

Nor is it easy for the individual farmer to market his products. In some places first-class highways exist but feeder roads are absent, or markets are far away. In many cases he is thus forced to sell at prices dictated by the middlemen who come to his village. Almost always the small farmer is at the mercy of the middle man.

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BUT there are other factors affecting the farmer's welfare which are not obvious to him or sometimes even to those who make an effort to help him. Specifically, government policies on investment, trade (exports and imports), tariffs, credit and interest rates, prices, labour wages and related policies, could be operating against the objective of public assistance measures and contrary to the social objective of helping the farmer.

Public investment policy should give priority to improving the rural areas, but often preference is given to developing urban centres. Exports if limited quantitatively to protect domestic consumers could reduce prospective income for the farmer. Export prices, if established to make the domestically produced commodities internationally competitive, could effect the farmer adversely. Imports of the same agricultural commodities already sufficiently produced locally, if permitted as part of an aid programme, could depress the prices of the local products. Limitation of credit and rises in interest rates as a monetary measure could result in increasing production costs. Tariff duties imposed on inputs to raise revenues could increase the input prices and production costs for the farmer. Farm price policies should benefit the farmer generally but the burden of export tax (sometimes called the premium) is borne by him and offsets farm price increases. If minimum wages are established to improve the income of rural labourers, the farmer's production costs are bound to increase. Land reform should be favourable to the farmer but, as the experience in many countries has shown, land reform laws are observed more in the breach than in the observance.

Other factors, even further outside the control and understanding of the farmer are, for example: the movement of international prices which could be adverse to the interests of the farmer in view of the declining trends in the terms of trade; the practice by some developed country importers of playing suppliers of the same primary products off against each other; the maintenance by developed countries of stockpiles of particular primary products - a practice employed to depress the prices of primary exports.

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SOLUTIONS to the foregoing problems facing governments in their efforts to improve the plight of the farmer are certainly far from easy. Measures calculated to benefit the farmer meaningfully (e.g. land reform and complementary services, mechanization, production inputs, infrastructure development) all call for the investment of resources generally beyond the capacity of the government. Likewise, income redistribution measures (e.g. taxation, farm cost subsidies, price support programmes) are not always easy to implement. At the international level the battle fought by developing countries to reverse the declining terms of trade has consistently been a losing one. Family planning would clearly help prevent the worsening of the poverty of the farmer, but this is a long-term remedy and progress has generally been slow.

Nevertheless, the problems are not beyond the capacity of the people and their governments to resolve. Many governments in Asia have indeed applied various measures to ameliorate the condition of the farmer. Some countries, e.g. Iran, South Korea and Malaysia, have been comparatively successful. Iran, of course, has considerable investment resources derived from oil sales. South Korea has benefited from earlier, massive US aid. Favourable export prices for rubber and tin have enabled Malaysia to finance investments to assist the farmer. The resources of these countries permitted investments in land reform and measures to increase productivity. Other countries have made moderate gains, but in some there has been no obvious improvement.

Where there have been failures, the cause or causes could have been any or a combination of the following:

1) Absence of a single agency charged with the task of co-ordinating the application of measures designed to solve the pressing problems of the farmer. The means intended to improve the farmer's income (e.g. irrigation facilities, agricultural extension, low-cost credit, land reform, export policies) are separately administered by different agencies of the government. The remedial measures are not always applied consistently for the purpose of helping the farmer. Sometimes there were attempts to reconcile assistance policies but these were generally only partly successful.

2) Budgetary limitations on the establishment of an adequate infrastructure for development and production. Not infrequently this is because governments maintain such unusually huge budgets for national defence purposes that little is left for development and essential social services like public health and primary education facilities.

3) The sacrifice of the development interest before the altar of monetary stability. Many of the measures to favour the farmer imply monetary expansion and fiscal relaxation and consequently are inflationary. Inflation reduces real

levels of living for all sectors of society, including the rural population. The guardians of monetary stability will not permit this possibility.

4) Failure to enlist more intensive participation by the farmer in rural infrastructure projects. Idle labour is potential capital and when mobilized for rural projects could help improve the infrastructure for rural development.

5) Difficulty in checking exploitation of the farmer by the middleman, usurious money lender, in certain instances even unscrupulous government agents, and others with whom the farmer deals.

6) Absence of supplementary exployment opportunities through the failure to establish agro-industries and other productive non-agricultural activities.

7) Unrestrained growth of the rural population. Growth statistics do not reveal that new production is disappearing into the mouths of new babies.

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REMEDIES appear obvious from the problems indicated. But in fact, they raise equally difficult issues.

Is the co-ordination of efforts to assist the farmer by a supra-ministerial agency possible, considering the compartmentalization of governmental functions? Theoretically, yes; but in practice experience in many countries shows it is not an easy matter.

Can government revenues be increased through taxation, given the low incomes and the narrow taxable base in most developed countries, or can the huge resources devoted to national defence be reduced so as to augment the development budget without imperilling national security and the preservation of national independence and sovereignty?

Is it advisable to pursue indiscriminate spending for development's sake and risk runaway inflation?

Is the utilization of idle manpower in labour intensive and public works possible as a continuing means of providing employment?

Will it be possible to check fully the activities of unscrupulous middlemen and money lenders and stop the exploitation of the farmer?

Is it possible, considering the economic and geographical circumstances in many areas, to set up agro-industries for the purpose of providing supplementary employment? Can these industries be competitive with those set up in the metropolitan centres which have the advantage of external economies, e.g. proximity to the market, an abundant supply of skilled labour and excellent transportation facilities?

In view of existing religious, cultural, and social values and the technical problems related to family planning, would it be possible to accelerate population control to produce a significant impact on the living standard of the farmer?

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IN the face of limited resources for improving the farmers' plight, the programme should be rationalized. It should define in the first place what it seeks to achieve: is the programme, for instance, intended to solve absolute poverty on the part of the farmers, or is it designed to solve relative poverty (an impossible task!). It should be limited and made selective and should be staggered over a long period. The politicians do not usually accept an approach which is selective and long-term. They would wish to assist every farmer regardless of economic status and they will not stand for longer term solutions as their tenures of office are limited. Experience in several developing countries shows that the result or an indiscriminate and too rapid attempt to solve rural poverty has invariably been a dissipation of scarce resources without achievement of the desired goal.

The politicians' achievement statistics are made up of figures on the number of people assisted, funds given away and projects started, regardless of their real value. In some countries, for instance, the assistance has benefited the richer farmers instead of the ones more deserving of assistance. Low-cost credit has gone to those who could afford to secure their loans with collaterals, and the proceeds have

been loaned in turn to the small farmers or tenants at very high interest rates. The improvement of the rural infrastructure (e.g. feeder roads, government warehouses, processing plants) likewise has benefited the big farmers more than the small ones as the former have more surplus production to be stored and transported to the market. In other cases, unsupervised credit led often merely to temporary increases in consumption or in the performance of social ceremonies by the farmers. Hence, in many cases loans to the farmers remain unpaid and written off as bad debts.

A more serious attempt at reducing or eliminating absolute poverty with limited resources would embrace five requirements:

- a definition of the goal, i.e. the elimination or substantial reduction of absolute poverty. This implies a definition of the term and agreement among all concerned of the real income equivalent of the poverty level
- a survey of real incomes by groups of farmers and by region
- the application of remedial measures according to the priority guided by the comparative real levels of living of farmer groups, or areas
- careful choice of remedial measures in accordance with the needs of the area or people (e.g. irrigation, infrastructure, low-cost credit, supply of inputs, marketing assistance)
- evaluation of the results.

The minimum standard of living - which should take into account the dignity of the human being - should be the goal of measures to ameliorate the condition of the farmers. This could be any of various combinations of the requirements for food, clothing, shelter, health, leisure and other basic needs. The question is perhaps more of a philosophical, moral or ethical issue; yet those concerned with the problem should be able to get an agreement on a practical operating concept of the absolute poverty level so as to get an idea of the goal to which efforts to assist the farmer should be addressed. Let us assume that quantitatively this means an average real income of US$150 *per capita.*

Now, to find the poverty gap, i.e. the difference between the goal and the actual average real income, it would be necessary to make a survey of the latter. The income analysis should include not just the proceeds from the sale of cash crops and wages from supplementary employment, but also the imputed value of self-produced agricultural products consumed by the family, as well as social services, e.g. public health and education provided at no cost by the government. Let us assume that the average real income is US$100 *per capita;* hence the poverty gap is US$50 *per capita.* Raising average real income to the poverty level could mean, depending on the measures to be applied, an investment of some US$100 million - US$300 million per million of population. This is a staggering sum, the investment of which over a short period could cause run-away inflation. And it does not include millions of dollars more in production credit which is bound to exacerbate inflation.

For this reason, it is necessary to follow a scheme of priorities in applying the remedial measures and to adopt a long-term programme to achieve the objective. One approach would be to make the investment in the most economically depressed areas, such as where land is marginal in fertility, agriculture is rain-fed and where no supplementary employment opportunities exist. In these areas, investment in land development, e.g. irrigation and drainage, should be initiated including, if necessary, land reform together with the supporting services. This should be supplemented if economically feasible by the establishment of agro-industries. In the comparatively more fertile areas, where there is nevertheless a high percentage of poor farmers, other measures may be applied, e.g. the institution of low-cost credit and provision of inputs at reasonable prices as well as the organization of the farmers into co-operatives.

Once absolute poverty in certain areas has been eliminated, the programme could then be shifted to other areas requiring assistance. In view of the scarcity of resources for development, as well as the problems that in practice attach to the process of solving rural poverty, the programme of raising to the poverty level all those deserving assistance should be staggered over say 10 years or even 20 years. It could take longer for, as experience shows, the improvement of the farmer's lot has been the object of government concern for many years without apparent results in many countries.

Unfortunately, while the road to the solution of rural poverty is paved with good intentions, the struggle is impeded by factors arising from the nature of man himself - from his greed, which has accounted for income maldistribution and social injustice, and from his propensity to multiply at least as fast as his capacity to increase production. The problem is demonstrably not insoluble, but in some countries the crusade against poverty could be a perennial process.

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